

(24,235)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1914.

No. 496.

GENEVA FURNITURE MANUFACTURING COMPANY,
APPELLANT,

vs.

S. KARPEN & BROS., A WEST VIRGINIA CORPORATION;
S. KARPEN & BROS., AN ILLINOIS CORPORATION, AND
SOLOMON KARPEN.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE NORTHERN DISTRICT OF ILLINOIS.

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In the District Court of the United States for the Northern District
of Illinois, Eastern Division.

No. 73.

GENEVA FURNITURE MANUFACTURING COMPANY, Complainant,

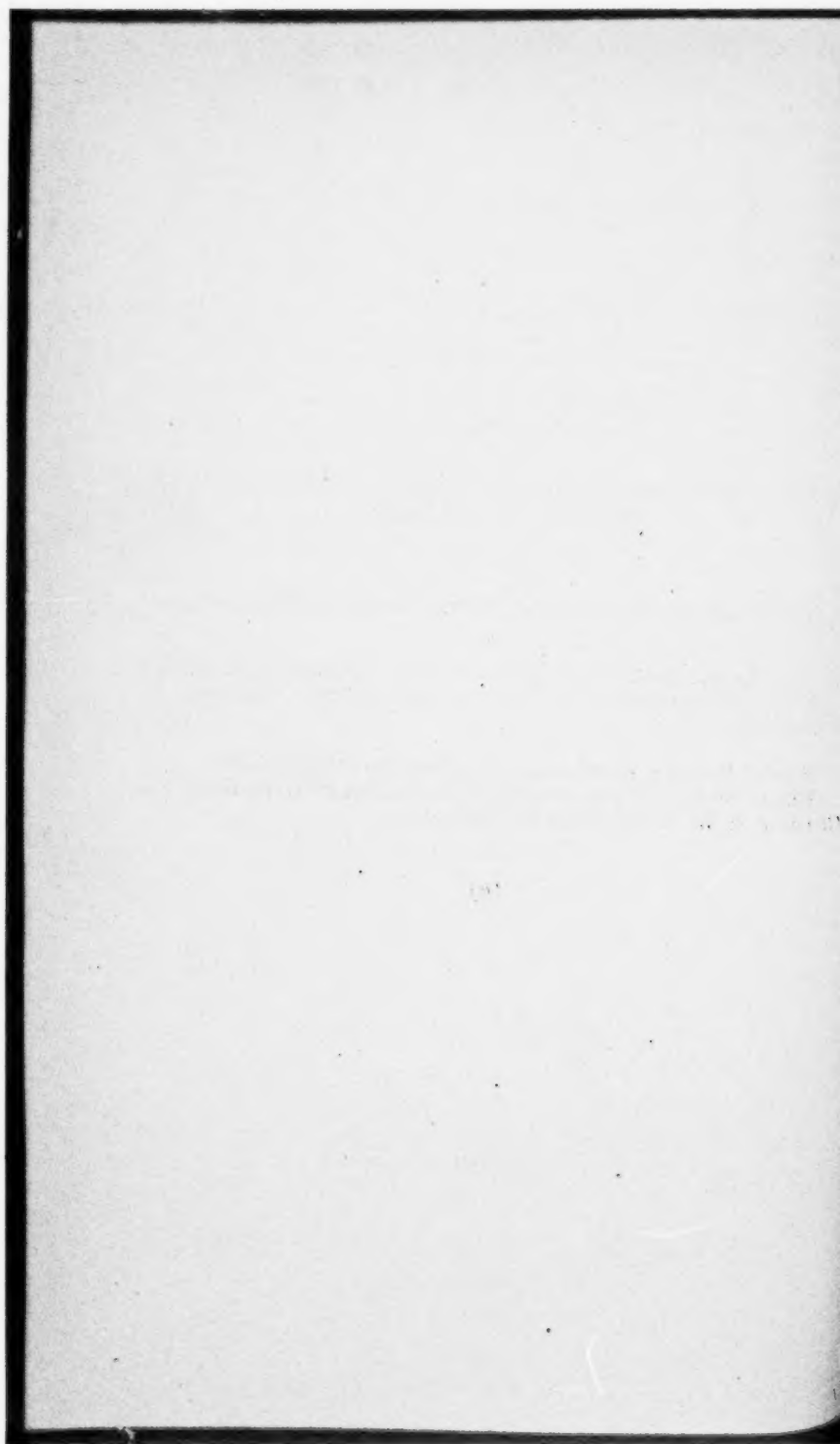
vs.

S. KARPEN & BROS., a Corporation of West Virginia; S. KARPEN &
Bros., a Corporation of Illinois, and Solomon Karpen, De-
fendants.

Messrs. Banning & Banning, Solicitors for Complainant.

Messrs. Mayer, Meyer, Austrian & Platt; Messrs. Dyrenforth, Lee,
Chritton & Wiles, Solicitors for Defendants.

(a)



IN THE
UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE SEVENTH CIRCUIT.

OCTOBER TERM, A. D. 1913.

No. 2080

GENEVA FURNITURE MANUFACTURING COMPANY,
Appellant,

vs.

S. KARPEN & BROS., A CORPORATION OF ILLINOIS, S. KARPEN & BROS., A CORPORATION OF WEST VIRGINIA, AND SOLOMON KARPEN,

Appellees.

MR. THOMAS A. BANNING,
MR. SAMUEL W. BANNING,
MR. THOMAS A. BANNING, JR.,
MR. EPHRAIM BANNING,

Counsel for Appellant,

MR. JOHN H. LEE,
MR. PHILIP C. DYRENFORTH,
MR. LEVY MAYER,
MR. ISAAC H. MAYER,

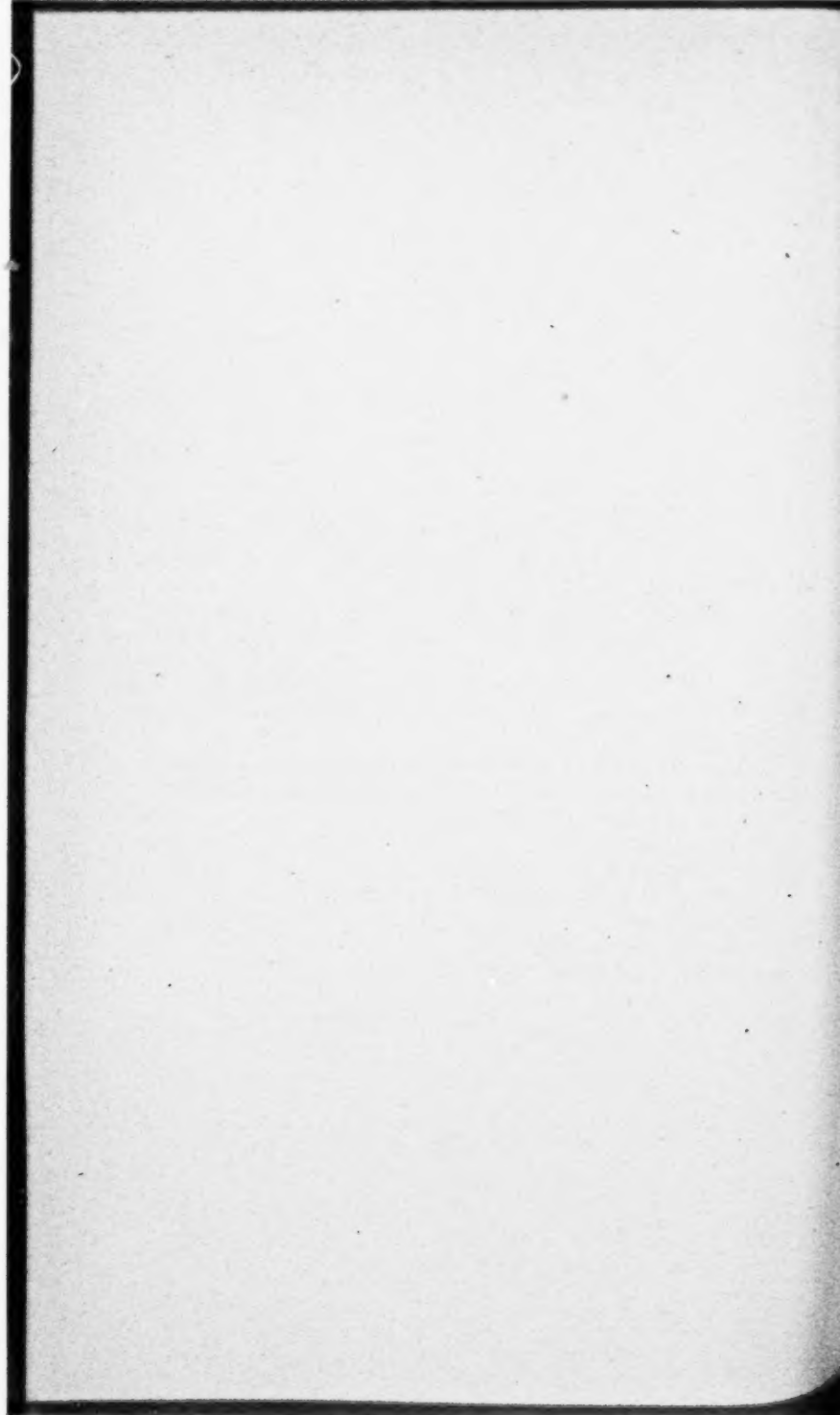
Counsel for Appellees.

Appeal from the District Court of the United States for the Northern District of Illinois, Eastern Division.



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4 Pleas in the District Court of the United States for the Northern District of Illinois, Eastern Division, in Chancery sitting, at the United States Court room, in the City of Chicago, in said District and Division, before the Hon. George A. Carpenter, District Judge of the United States for the Northern District of Illinois, on Monday, the Third day of November, being the first day of the November Term of said Court, in the year of our Lord one thousand nine hundred and thirteen, and of the Independence of the United States of America, the one hundred and thirty-eighth year. Plac

Present:

Hon. George A. Carpenter, Judge of said Court, Presiding,

Luman T. Hoy, United States Marshal for said District and

T. C. MacMillan, Clerk of said Court.

5 IN THE DISTRICT COURT OF THE UNITED STATES
13.

For the Northern District of Illinois,

Eastern Division.

Geneva Furniture Manufacturing
Company,

vs.

S. Karpen & Bros., a Corporation,
of West Virginia, S. Karpen &
Bros. a Corporation of Illinois, and
Solomon Karpen, President of said
Corporations,

} In Equity, No. 73.

Be It Remembered, That heretofore to-wit: on the twenty-third day of June, 1913, come the complainant in the above entitled cause by its solicitors, and filed in the Clerk's office of said Court its certain Bill of Complaint in words and figures following to-wit:

6 BILL OF COMPLAINT.

DISTRICT COURT OF THE UNITED STATES

For the Northern District of Illinois

Eastern Division

Geneva Furniture Manufacturing
Company,

Complainant,

vs.

S. Karpen & Bros., a Corporation
of West Virginia, S. Karpen &
Bros., a Corporation of Illinois,
and Solomon Karpen, President of
said Corporations,

} 73 In Equity.

Defendants.

To the Honorable the Judges of the District Court of the United States for the Northern District of Illinois, Eastern Division:

The Geneva Furniture Manufacturing Company, a corpo-

ration organized and existing under and by virtue of the Laws of the State of New York, and a citizen and inhabitant of said State, having its principal office for the transaction of business in the City of Geneva, and State of New York, brings this its Bill of Complaint against S. Karpen & Bros., a corporation organized and existing under and by virtue of the Laws of the State of West Virginia, and a citizen and inhabitant of said State, having an office for the transaction of business and a regular and established place of business in the City of Chicago, and State of Illinois; S. Karpen & Bros., a corporation organized and existing under and by virtue of the Laws of the State of Illinois, and a citizen and inhabitant of said State, having an office for the transaction of business and a regular and established place of business in the City of Chicago, and State of Illinois; and Solomon Karpen, a citizen and inhabitant of the City of Chicago, and State of Illinois: and thereupon your orator complains and says, as follows:

7 1. That this is a controversy or suit in equity arising under the Patent Laws of the United States, and also between citizens of different States, and that the matters in controversy hereinafter stated exceed, exclusive of interest and costs, the sum and value of three thousand dollars (\$3,000.00).

2. That prior to and on the 12th day of December, 1904, your orator was the owner of the following Letters Patent of the United States, covering Sofas or Sofa Beds in combination with various devices used in the manufacture of the same, namely:

No. 585,122, of June 22, 1897, issued to William T. Rolph.

No. 624,008, of May 2, 1899, issued to Fred C. Genge.

No. 624,591, of May 9, 1899, issued to Theodore G. Weyer.

No. 632,053, of August 29, 1899, issued to Solomon Karpen.

No. 637,976, of November 28, 1899, issued to William T. Rolph.

No. R. 11,831, of June 19, 1900, issued to William T. Rolph.

3. That on said 12th day of December, 1904, your orator was engaged in the business of manufacturing the fixtures or devices described in one or more of the patents above mentioned, and in the manufacture and sale of articles of furniture known as Sofa or Davenport Beds and Sofa or Davenport Bed Frames, in which were embodied the fixtures

or devices described and claimed in one or more of said letters patent.

8 4. That your orator is now and has at all times since the 12th day of December, 1904, been the sole owner of all of the patents above enumerated, and entitled to sue for and recover the profits and damages arising or growing out of infringements of the same.

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5. That on or about said 12th day of December, 1904, your orator, as party of the first part, entered into a license contract in writing with the Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, as parties of the second part, by and through the Defendant Solomon Karpen, as President of said corporations, and The Seng Company, a corporation of Illinois, having its factory and principal place of business in Chicago, Illinois, as party of the third part, a copy of which license contract is attached hereto and made a part hereof, marked "Exhibit A"; and that said license contract of December 12, 1904, has never been abrogated or terminated in any way, but is still in full force and effect between the parties to the same.

6. That in and by said license contract of December 12, 1904, the Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, were granted a license, conferring certain exclusive rights and privileges under said patents above enumerated, for the full term thereof, to manufacture and sell completed Sofa Beds and Sofa
9 Bed Frames embodying the fixtures or devices described in one or more of said patents, said rights and privileges "to be exercised only in the usual and regular course of their own business of manufacture and sale."

7. That in and by said license contract of December 12, 1904, and particularly in the Seventh clause thereof, The Seng Company was granted a license under said patents, with certain exclusive rights, to manufacture and sell the devices or fixtures described in one or more of said letters patent to the general manufacturing trade, for the full term thereof, upon the conditions, covenants and restrictions in said license contract contained, which said clause reads as follows:

"7. Said party of the third part shall have the exclusive

right, upon the payment of royalties, as hereinafter provided, to make and sell to the manufacturing trade the fixtures of the Karpen and Weyer patents (now known as metal fixtures) for use by the trade in the manufacture of Sofa Beds and Sofa Bed Frames; provided that the party of the third part shall faithfully perform the covenants hereinafter contained." Bill
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8. That in and by said license contract of December 12, 1904, and particularly in the Tenth clause thereof, it was expressly provided and agreed that the party of the third part, The Seng Company,

"Shall not sell said fixtures embodied in Sofa Beds or Sofa Bed Frames. Nor shall it cause such fixtures to be used and sold in Sofa Beds and Sofa Bed Frames, except as specified in this contract and upon the payment of royalties, as hereinafter provided."

10 And particularly in the Eleventh clause of said license contract, that the party of the third part, The Seng Company,

"Shall not engage in competition with the parties of the first and second parts to the extent of manufacturing either any infringing or any similar devices, fixtures, sofa beds or sofa bed frames, on its own account or for others."

And particularly in the Eighth clause of said license contract, that the party of the third part, The Seng Company,

"Shall not sell said fixtures to any manufacturer engaged in the manufacture and sale of sofa beds or sofa bed frames or fixtures of similar or infringing nature, after notice shall be brought to said third party of such manufacture or sale of similar or infringing devices, provided that in any case, where such manufacturer shall cease to manufacture or sell the same said party of the third part may sell the fixtures of said Karpen and Weyer patents to such manufacturer so long as the similar or infringing devices are not manufactured or sold."

And particularly in the Ninth clause of said license contract, that the party of the third part, The Seng Company,

"Will use its best endeavors by all the usual recognized commercial means, such as advertising and personal solicitation, to promote the demand for and the sale of said fixtures by and to the general manufacturing trade."

And particularly in the Eighteenth clause of said license contract, that the party of the Third part, The Seng Company, agreed that it,

13. "Shall not either directly or indirectly use said inventions or any of them otherwise than in accordance with this license and shall at no time dispute the validity of any of the above enumerated patents."

9. That in consideration of the covenants and agreements contained in said license contract of December 12, 11 1904, and particularly those specified above, among others, wherein and whereby the party of the third part to said contract, The Seng Company, agreed that it would not engage in competition with the parties of the first and second parts to the extent of manufacturing either any infringing or any similar devices, fixtures, sofa beds or sofa bed frames on its own account or for others, and would not sell said licensed fixtures to any manufacturer engaged in the manufacture and sale of sofa beds or sofa bed frames or fixtures of similar or infringing nature, and would use its best endeavors, by all of the usual recognized commercial means, such as advertising and personal solicitation, to promote the demand for and the sale of said fixtures by and to the general manufacturing trade, and would not dispute the validity of said letters patent, your orator, as the party of the first part to said license contract of December 12, 1904, made special, favorable and reduced rates of royalty to the party of the third part, The Seng Company, which the party of the first part has, since the date of such license contract, still further reduced, in order to encourage said party of the third part, The Seng Company, in the manufacture and sale of said licensed fixtures or devices, which special rates of royalty, both as specified in said contract and as since reduced, were made by your orator in special consideration of the fulfillment and performance by the party of the third part, The Seng Company, in good faith, of the terms, provisions, covenants, restrictions and requirements of said license contract of December 12, 1904.

12 10. That afterwards, and on, to-wit, the 10th day of February, 1906, your orator, and S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, by and through the Defendant Solomon Karpen, as President of said corporations, and The Seng Company, entered into a supplementary license contract to settle certain matters of dispute that had arisen between the parties to the license contract of December 12, 1904, wherein and whereby certain reductions or modifications in the royalties specified in said

license contract of December 12, 1904, were agreed upon and certain other patents brought into or under the provisions and conditions of said license contract of December 12, 1904, as follows, namely: No. 713,260, of November 11, 1902, issued to S. Karpen & Bros., of West Virginia, as the assignee of Theodore G. Weyer; and No. 802,599, of October 24, 1905, issued to William T. Rolph; a copy of which license contract of February 10, 1906, is attached hereto and made a part hereof, marked "Exhibit B"; and that your orator is now and has at all times since the 10th day of February, 1906, been the sole owner of the patents above enumerated, and entitled to sue for and recover the profits and damages arising or growing out of infringements of the same; that said license contract of February 10, 1906, has never been abrogated or terminated in any way, but is still in full force and effect between the parties to the same; and that hereafter your orator, in referring to the license contract of December 12, 1904, shall include and intend to include within such reference or designation the modified contract of February 10, 1906, without specifically referring to the same, by date or otherwise.

11. That on or about the first day of January, 1911, at Chicago, Illinois, in the District aforesaid, the Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros. of Illinois, and Solomon Karpen, acting both for himself and as President of said corporation, as your orator is informed and believes and so charges the fact to be, with full knowledge of the terms, conditions, covenants and restrictions imposed upon and agreed to by the party of the third part, The Seng Company, in said license contract of December 12, 1904, for their own profit and benefit, induced, procured and persuaded the party of the third part to said license contract. The Seng Company, to enter into another license contract with them, one or all, and with customers of your orator, not parties to said license contract of December 12, 1904, wherein and whereby the said party of the third part to said contract of December 12, 1904, The Seng Company, was induced, procured and persuaded to agree to manufacture, promote and sell, in violation of the covenants, provisions, conditions and restrictions of said license contract of December 12, 1904, to the general manufacturing trade, devices, fixtures or frames for Sofa Beds or Davenport Beds similar to and used as substitutes for and in competition with the de-

in and by said license contract of December 12, 1904, not to manufacture or sell; and that the said Defendants, at 14 Chicago, Illinois, in the District aforesaid, have been and now are inducing, procuring and persuading The Seng Company to manufacture, promote and sell devices, fixtures and frames to customers of your orator, and particularly to the Naperville Lounge Company, of Naperville, Illinois, in the District aforesaid, and to the general manufacturing trade, which it, The Seng Company, had agreed in said license contract of December 12, 1904, not to manufacture and sell in the District aforesaid, and which The Seng Company, through the inducement, procurement and persuasion of the said Defendants, continues to manufacture and sell, and which it refuses to desist from manufacturing and selling.

12. That the fixtures or devices which the party of the third part, The Seng Company, was licensed to manufacture and sell under said license contract of December 12, 1904, are known to the trade as the "Weyer or Seng Automatic," the "Chicago" and the "Karpen Automatic," while the devices, or some of them, which the Defendants have induced, procured and persuaded The Seng Company to manufacture and sell, in violation of the terms, conditions and restrictions of said license contract, are known to the trade as the "Unifold" and "Doufold"; that all of said devices are used and intended to be used in Sofa Beds or Davenport Beds, which are all sofas in form and which are capable of being opened so as to furnish double beds when desired; that all of them are in appearance sofas with seats and backs, generally upholstered, and with wooden ends; that all of them are intended to be 15 used as sofas by day and beds by night; and that, as a means of operation, all employ a system of concealed hinges and levers which operate to open and close, and to convert the sofa into a bed or the bed into a sofa, as the case may be.

13. That the manufacture and sale by The Seng Company of the "Unifold" and "Duofold" devices or fixtures or frames for sofa beds, which the Defendants have induced, procured and persuaded it to engage in, are and have been in direct competition with and are used as substitutes for the devices and fixtures which The Seng Company was licensed to manufacture and sell under said license contract of December 12, 1904; and that by inducing, procuring and persuading The Seng Company to enter into the other license contract afore-

said with the defendants and the customers of your orator, for the manufacture, promotion and sale of such competing or substitute fixtures or frames, and the manufacture, promotion and sale of the same in pursuance of such contract, the Defendants have rendered it impossible for The Seng Company to carry out and perform its duties and obligations under the license contract of December 12, 1904, in good faith and with its best endeavors, as it had agreed to do, thereby working irreparable damage and injury to your orator.

14. That the manufacture and sale by The Seng Company of the said licensed devices and fixtures in a manner contrary to the terms and provisions of said license contract of December 12, 1904, and of the competing and substitute de-
16 vices, fixtures or frames to the general manufacturing trade, and to those who are, and have been, or might become, customers for the licensed devices or fixtures which it, The Seng Company, had agreed, in said license contract of December 12, 1904, to exclusively manufacture and sell, and the manufacture and sale thereof in competition with and as substitutes for such licensed fixtures or devices, and the acts or doings of The Seng Company therein, which have made it impossible for it to carry out said license contract of December 12, 1904, with your orator, in good faith and with its best endeavors, as it had agreed to do, are and constitute a breach and violation by The Seng Company of the exclusive rights granted to it under said license contract of December 12, 1904, whereby The Seng Company has been and now is making use of the inventions of your orator, in violation of the restrictions imposed by your orator as owner of said patents, and as agreed to by The Seng Company in said license contract of December 12, 1904; that such manufacture, sale or use by The Seng Company of both the licensed and unlicensed devices and fixtures, in disregard and violation of the covenants, conditions and restrictions under which said license contract of December 12, 1904, was granted, is unlawful, prohibited, and in defiance of the patent monopoly and the rights reserved to your orator as owner of said patents, wherein and whereby The Seng Company became, was and is an infringer of the patent monopoly reserved to your orator, and of the rights of your orator as the owner of said patents enumerated in said license contract of December 12, 1904; and that
17 the Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, and Solomon Karpen, by inducing, procuring and persuading the execution of the

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said license contract between The Seng Company, themselves and others, on or about January 1, 1911, wherein and whereby it, The Seng Company, was induced, procured and persuaded by said Defendants to disregard and violate, and did disregard and violate, the provisions, covenants, conditions and restrictions of said license contract of December 12, 1904, with full knowledge and notice on the part of the Defendants of the covenants, conditions and restrictions of said license contract, and by procuring and persuading, and causing the breach, disregard and violation by The Seng Company of said license contract, they, the said Defendants, became, were and are contributory infringers of the patent monopoly reserved to your orator, and of the rights of your orator as the owner of said letters patent enumerated in said license contract of December 12, 1904.

SECOND.

15. That prior to and on the first day of December, 1911, your orator was the owner of the following Letters Patent of the United States, covering Sofa Beds or Sofas in combination with various devices used in the manufacture of the same, namely:

18 No. 585,122, of June 22, 1897, issued to William T. Rolph.

No. 624,008, of May 2, 1899, issued to Fred C. Genge.

No. 624,591, of May 9, 1899, issued to S. Karpen & Bros., a co-partnership, by assignment from Theodore G. Weyer.

No. 632,053, of August 29, 1899, issued to Solomon Karpen.

No. 637,976, of November 28, 1899, issued to William T. Rolph.

No. 641,865, of January 23, 1900, issued to Jamestown Lounge Co., by assignment from Hugo Kuerston.

No. R. 11,831, of June 19, 1900, issued to William T. Rolph.

No. 713,260, of November 11, 1902, issued to S. Karpen & Bros., of West Virginia, by assignment from Theodore G. Weyer.

No. 744,839, of November 24, 1903, issued to S. Karpen & Bros., of West Virginia, by assignment from Theodore G. Weyer.

No. 802,599, of October 24, 1905, issued to William T. Rolph.

No. 818,250, of April 17, 1906, issued to Geneva Furniture Mfg. Co., by assignment from Edwin M. Hulse.

No. 820,826, of May 15, 1906, issued to Geneva Furniture Mfg. Co., by mesne assignment from Julius T. Seng.

No. 948,396, of February 8, 1910, issued to Geneva Furniture Mfg. Co., by assignment from Solomon Karpen.

16. That your orator is now and has at all times since December 1, 1911, been the sole owner of all of the patents above enumerated, and entitled to sue for and recover the profits and damages arising or growing out of infringements of the same.

17. That on or about the said first day of December, 1911, your orator, by and with the written consent of the Defendants, entered into a license contract in writing with the Naperville Lounge Company, a corporation organized under the Laws of the State of Illinois, having its factory and principal place of business at Naperville, Illinois, in the District aforesaid, as party of the second part, wherein and whereby the said Naperville Lounge Company was granted certain rights under the patents above enumerated, to manufacture completed sofa beds and sofa bed frames embodying one or more of the devices or fixtures manufactured for your orator by The Seng Company under the license contract of December 12, 1904, but under certain conditions, covenants and restrictions therein set forth, a copy of which license contract is attached hereto and made a part hereof, marked "Exhibit C"; and that said license contract of December, 1911, has never been abrogated or terminated in any way, but is still in full force and effect between the parties to the same.

18. That in and by said license contract of December, 1911, and particularly in the Second clause thereof defining or expressing the agreements entered into by said Naperville Lounge Company, the said Naperville Lounge Company agreed that it,

"Shall not use the said invention, or any of them, or any part thereof, otherwise than in accordance with this contract, and shall, at no time, during the life of this contract, dispute the validity of any of the above enumerated patents."

And particularly in the Third clause of said license contract, defining or expressing the agreements entered into by said Naperville Lounge Company, the said Naperville Lounge Company agreed that it,

"Shall not engage in competition with the party of the first part, during the life of this contract, to the extent of manufacturing any infringing or similar fixtures or devices, sofa beds or sofa bed frames, for its own account or for

others, hereby agreeing to purchase, during the life of this contract, all fixtures or devices for the manufacture of sofa beds, from the party of the first part, through The Seng Company of Chicago, Illinois."

19. That in consideration of the covenants and agreements contained in said license contract of December, 1911, and particularly those specified above, among others, wherein and whereby the party of the second part to said license contract, the Naperville Lounge Company, agreed that it would not use the inventions described in said patents or any of them or any part thereof, otherwise than in accordance with said license contract and would not at any time, during the life of said contract, dispute the validity of any of the patents enumerated therein, and would not engage in competition with the party of the first part, during the life of said license contract to the extent of manufacturing any infringing or similar fixtures or devices, sofa beds or sofa bed frames, for its own account or for others, but on the contrary would purchase, during the life of said license contract, all fixtures or devices for the manufacture of sofa beds, from the party of the first part, through The Seng Company, of Chicago, Illinois, your orator, as the party of the first part to said license contract of December, 1911, made, made
21 special, favorable and reduced rates of royalty to the party of the second part, the Naperville Lounge Company, in order to encourage said party of the second part, the Naperville Lounge Company, in the use and increasing use of said licensed fixtures or devices, which reduced rates of royalty were made by your orator in special consideration of the fulfillment and performance by the party of the second part, the Naperville Lounge Company, in good faith, of the terms, provisions, covenants, restrictions and requirements of said license contract of December, 1911.

20. That at the time said license contract of December, 1911, between your orator and the Naperville Lounge Company, was entered into, the Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, by and through the Defendant Solomon Karpen, as President of said corporations, became a party thereto and agreed to the execution of the same, reciting that they

"Have read the annexed copy of a proposed contract by and between the Geneva Furniture Mfg. Co. of Geneva, New York, party of the first part, and the Naperville Lounge Co., of Naperville, Illinois, party of the second part, and

herewith agree to the execution of said contract by the Geneva Furniture Mfg. Co."

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21. That the Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, and Solomon Karpen, acting both for himself and as President of said corporations, as your orator is informed and believes and so charges the fact to be, with full knowledge of the terms, 22 conditions, covenants and restrictions imposed upon and agreed to by the party of the second part, the Naperville Lounge Company, in said license contract of December, 1911, induced, procured and persuaded the party of the second part to said license contract, the Naperville Lounge Company, to purchase from The Seng Company, and to use in its own business, and to manufacture or have manufactured for others, for the mutual profit and financial benefit of itself and the Defendants, in disregard and violation of the covenants, provisions, conditions and restrictions of said license contract of December, 1911, devices, fixtures or frames for sofa beds or Davenport beds other than the ones which your orator had licensed it in said license contract to purchase and use, and which it had agreed to purchase and use exclusively, whereby the said Naperville Lounge Company was induced, procured and persuaded to use, and is using such other devices and fixtures as substitutes for the devices and fixtures that it had agreed in and by said license contract of December, 1911, to use exclusively, and is selling the same to others for use, for the mutual profit and financial benefit of itself and the Defendants; and that the said Defendants, at Chicago, Illinois, in the District aforesaid, have been and now are inducing, procuring and persuading the Naperville Lounge Company, for the mutual profit and financial benefit of themselves and said Company, to purchase from The Seng Company, and to use such other and substitute devices, fixtures and frames instead and in the place of the licensed devices, fixtures and frames which it had agreed to purchase from The Seng Company and use exclusively, and to manufacture or to have manufactured for it, and to sell the same to others in disregard and violation of its obligations and agreements under said license contract of December, 1911; and that the Naperville Lounge Company, through the inducement, procurement and persuasion of the said Defendants, continues to purchase and use, and to manufacture and to have manufactured for it, and to sell to others for use, unlicensed devices and fixtures.

22. That the use by the Naperville Lounge Company, in its own business, and its sales to others, of the unlicensed devices, fixtures or frames for sofa beds which the Defendants have induced, procured and persuaded it to use and to sell, are and have been in direct competition with and are used as substitutes for the devices and fixtures which it was licensed to use under said license contract of December, 1911; and that by inducing, procuring and persuading the Naperville Lounge Company to use such unlicensed devices and fixtures, and to sell the same to others, the Defendants have rendered it impossible for the Naperville Lounge Company to carry out and perform its duties and obligations under the license contract of December, 1911, in good faith, but on the contrary it has been caused, by the Defendants, to disregard and violate its duties and obligations under said license contract, thereby working irreparable damage and injury to your orator.

24 23. That the use by the Naperville Lounge Company of the said licensed devices and fixtures in a manner contrary to the terms and provisions of said license contract of December, 1911, and the use of the substitute unlicensed devices, fixtures or frames, and the manufacture and sale of them to others, in competition with and as substitutes for the fixtures, devices or frames that they were licensed to use in said license contract of December, 1911, and the acts and doings of the Naperville Lounge Company, are in disregard and violation of the covenants, conditions and restrictions under which said license contract of December, 1911, was granted, is unlawful, prohibited, and in defiance of the patent monopoly and the rights reserved to your orator as the owner of said patents, wherein and whereby the Naperville Lounge Company became, was and is an infringer of the patent monopoly reserved to your orator, and of the rights of your orator as the owner of said patents enumerated in said license contract of December, 1911; and that the Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, and Solomon Karpen, by inducing, procuring and persuading the Naperville Lounge Company to disregard and violate the provisions, covenants, conditions and restrictions of said license contract of December, 1911, with full knowledge and notice on the part of the Defendants, of the covenants, conditions and restrictions of said license contract, and by procuring and persuading and causing the breach, disregard and violation by the Naperville Lounge

Company of said license contract, they, the said Defendants, became, were and are contributory infringers of the patent monopoly reserved to your orator, and of the rights of your orator as the owner of said letters patent, enumerated in said license contract of December, 1911.

24. That your orator is informed and believes and so charges the fact to be, that the number of unlicensed, competing and substitute devices or fixtures and sofa bed frames now being manufactured and sold by The Seng Company, through the inducement, procurement and persuasion of the Defendants, and in disregard and violation of your orator's rights under said license contract of December 12, 1904, and of your orator's patent rights, amounts to at least four thousand (4,000) per month; and that such sales, so made in disregard and violation of your orator's rights, are now causing a decrease in the sale of the licensed devices or fixtures which The Seng Company had agreed to manufacture and sell exclusively under said license contract of December 12, 1904, amounted to more than forty-four thousand (44,000) devices during the year 1912, and caused your orator to suffer a loss in consequence thereof of more than ten thousand dollars (\$10,000.00).

25. That for several years prior to February, 1908, your orator operated a factory or manufacturing plant at Geneva, New York, in which were manufactured the devices or fixtures covered by the letters patent above mentioned and enumerated, for use in sofa beds and sofa bed frames, which your orator was manufacturing and selling; that the sales and advertisements of the products of your orator's factory or plant, covered and controlled by your orator's said patents, brought such products to the favorable attention of the general manufacturing trade throughout the country; that about the month of February, 1908, relying entirely upon the faithful performance of the covenants and provisions contained in said license contract of December 12, 1904, and upon the obligations and requirements imposed upon and assumed by the Defendants, and The Seng Company, in and under such license contract, your orator discontinued its manufacturing business and the sale of its products, and closed its said factory or plant; that since said date your orator has not manufactured or sold any of such sofa beds or sofa bed frames after disposing of those on hand or in process of manufacture at such time; and that the facts above stated, in reference to the closing of your orator's said factory or plant, and the discontinuance

of the sale of its products, were at all times known to the Defendants.

26. That the closing of your orator's said factory or plant, and the discontinuance of the manufacture and sale of its products, involved a heavy financial loss to your orator; and that since that time your orator has spent large sums of money in the promotion, through The Seng Company, of the sale of fixtures or devices covered by the patents above enumerated and in the protection of said patents from infringement, and in the acquisition of patents covering improvements thereon, and in the establishment of the validity of one or more of said patents, to the great financial benefit, advantage and profit of the said Defendants and The Seng Company, and that said patents have been held to be meritorious and valid by this Court.

27. That under and by means of the license contract of December 12, 1904, and of the devices or fixtures manufactured under it by The Seng Company, a large and profitable business of more than one hundred forty thousand (140,000) sets of fixtures per year, and in completed product of about two and one-half million dollars (\$2,500,000.00) per year, was built up for the sale of your orator's devices and sofa beds embodying the same; and that the good will of such business, which has practically supplanted the business in ordinary convertible beds, such as folding beds, bed lounges, bed couches, mantel folding beds, and table beds, was and is of great value; but that, by reason of the fact that The Seng Company, through the inducement, procurement and persuasion of the said Defendants, is not using its "best endeavors" to promote and advertise the devices and sofa beds of your orator, but is promoting and advertising the unlicensed and substitute devices and sofa beds and sofa bed frames in competition with your orators devices or fixtures, made and sold under the license contract of December 12, 1904; that the business so built up for your orator's devices or fixtures, which amounted to more than six hundred thousand (600,000) sets since the license contract of December 12, 1904, and the good will thereof, both of which are now entirely under the control of The Seng Company, are being destroyed and are suffering a continuing decrease in value, to the great financial damage and injury to your orator; and that such damage and injury to your orator is irreparable, and the decrease will continue so long as the Defendants and The Seng Company continue their present wrongful, inequitable and unlawful conduct in disregard and violation

of the terms and requirements of said license contract of December 12, 1904, and the infringement of said letters patent.

28. That your orator is informed and believes and so charges the fact to be that the said defendant, S. Karpen & Bros., of West Virginia, is wholly under the control and directed by the said Defendants, S. Karpen & Bros., of Illinois, and Solomon Karpen, who is the President of both of said Defendant corporations.

29. That by reason of the acts and doings complained of on the part of the said Defendants, and of The Seng Company, through the inducement, procurement and persuasion of the said Defendants, as above explained, they, the said Defendants, have caused and are causing serious, permanent and irreparable damage and injury to your orator in its business, in that said acts and doings have injuriously affected, are affecting and will continue to injuriously affect the amount of royalties which your orator would have received and which it has a right to receive under said license contract of December 12, 1904, which royalties, as your orator has already explained,

have suffered a large decrease, thereby causing permanent and irreparable loss and injury to your orator, and damage that is incapable of computation by legal rules; and 29 and that your orator believes and has reason to believe that it will suffer further and continuing damage and irreparable injury so long as said Defendants and The Seng Company continue in their present wrongful, inequitable and unlawful conduct, as already explained.

THIRD.

30. That in and by said license contract of December 12, 1904, and particularly in the 25th numbered paragraph thereof, it was provided and agreed that if either of the parties of the second or third parts, the said Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, and The Seng Company, had produced or acquired, or should thereafter produce or acquire, any improvements on the said Karpen and Weyer patents of a patentable order or character, the same should be referred to the party of the first part, your orator, and made the subject of applications for Letters Patent of the United States, which applications should be assigned to your orator, under the condition, however, that your orator should bear the expense connected therewith, and also that any patents so taken, procured or acquired, should be subject to

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1913. the provisions of the said license contract of December 12, 1904, as were therein contained with reference to the Karpen and Weyer patents, which 25th paragraph of said license 30 contract reads as follows:

"25. It is further agreed that if either of the parties of the second or third parts has produced or acquired or shall hereafter produce or acquire any improvements on said Karpen and Weyer patents of a patentable order, the same shall be referred to the party of the first part and be made the subject of applications for United States patents, which application shall be assigned to the party of the first part; provided, however, that the party of the first part shall bear the expense connected therewith. It is further agreed that any patents so taken shall be subject to the same provisions of this contract as are the Karpen and Weyer patents."

31. That the Defendants, S. Karpen & Bros., of West Virginia, and S. Karpen & Bros., of Illinois, and Solomon Karpen (who is the President of both of said defendant corporations and one of the principal stockholders therein, and the active head, manager and controlling officer thereof, acting for and on behalf of said corporations, and as a trustee for them and in their interests, as your orator is informed and believes and so charges the fact to be), have acquired the legal title or other rights or interests in and to various improvements and inventions, and the Letters Patent of the United States covering and securing the same, and as your orator is informed and believes and so charges the fact to be, improvements and inventions described and claimed in applications for letters patent pending in the United States Patent Office and not yet issued, relating to and covering devices and fixtures similar to and used for the same purpose and as substitutes for the devices which The Seng Company was licensed to manufacture and sell in and under said license contract of December 12, 31 1904, and which constitute improvements on the said Karpen and Weyer patents, and are of a patentable order or character, which patents and applications, or interests therein or thereto, under paragraph 25 of said contract, should have been submitted to and assigned to your orator, but which the Defendants, knowingly, purposely and deliberately, refrained from submitting to your orator to enable it to elect as to the patenting and accepting of the same, as provided for in said paragraph 25, and knowingly, purposely and deliberately withheld from assigning them to your orator, as they were obligated and in duty bound to do under said contract, and par-

ticularly under paragraph 25 thereof, which patents and applications for patents, or interests therein and thereto, in equity belong to your orator, and should have been and should be assigned and transferred to it; that the Defendant, S. Karpen & Bros., of Illinois, where the legal title to said patents and applications stand in the name of S. Karpen & Bros., of West Virginia, and Solomon Karpen, holds licenses or shop-rights under said patents or applications for letters patent, or interests of some kind therein; that your orator is not informed as to the dates of filing or serial numbers of pending applications, and is unable, therefore, to state the same until discovery thereof has been obtained from the Defendants, but is able to give the names of some or all of the letters patent which have been issued, and which are held in the name of some of them, but in which they are all interested in some way,

and which patents and interests therein are in fact held
32 in trust for your orator, and which patents are all for inventions or improvements in sofa beds, and are improvements on the said Karpen and Weyer patents, and, as far as your orator is now able to give the numbers and dates of the same, are as follows, namely:

No. 946,887, of January 18, 1910, issued to S. Karpen & Bros.,
West Virginia.

“ 949,374, of February 15, 1910, issued to S. Karpen.

“ 950,137, of February 22, 1910, issued to S. Karpen.

“ 950,925, of March 1, 1910, issued to S. Karpen.

“ 951,531, of March 8, 1910, issued to S. Karpen.

“ 956,972, of May 3, 1910, issued to S. Karpen & Bros., of
West Virginia.

“ 980,289, of January 3, 1911, issued to P. E. Kroehler.

“ 981,926, of January 17, 1911, issued to S. Karpen, and assigned by him to S. Karpen & Bros., of West
Va.

“ 887,376, of March 21, 1911, issued to S. Karpen & Bros., of
West Virginia.

“ 987,998, of March 28, 1911, issued to S. Karpen & Bros., of
West Virginia.

“ 988,721, of April 4, 1911, issued to S. Karpen & Bros., of
West Virginia.

“ 995,682, of June 20, 1911, issued to S. Karpen & Bros., of
West Virginia.

“ 1,011,440, of December 12, 1911, issued to S. Karpen.

“ 1,011,441, of December 12, 1911, issued to S. Karpen.

“ 1,012,861, of December 26, 1911, issued to S. Karpen.

“ 1,044,059, of November 12, 1912, issued to P. E. Kroehler.

“ 1,046,417, of December 3, 1912, issued to P. E. Krpehler.

32. That your orator was purposely kept in ignorance by the said Defendants, and those working with, through, or in conjunction with them, of the acquisition of inventions and
33 improvements, patented or unpatented, and of the filing of applications to secure patents covering the inventions and improvements described and claimed in the patents above enumerated; that your orator had no knowledge of the acquisition of such inventions or improvements, or of the filing of such applications, was given no information in reference to the same by the said Defendants, or those working with, through or in conjunction with them, and only ascertained that such patents had been applied for and secured, through information imparted by others, and was only able to ascertain the dates and numbers of such patents by an examination of the Official Gazette of the Patent Office, in which the issuance of patents is contained and published.

33. That your orator relied upon the duties and obligations of the said defendants, and those working with, through and in conjunction with them, to carry out, in good faith, the agreement that the said Defendants had made with your orator, to submit to it the inventions and improvements that they might devise or acquire, so that your orator could elect whether to obtain patents for the same where unpatented, and accept assignments thereof, as provided in said 25th paragraph of said license contract of December 12, 1904; but, as already explained, your orator was purposely kept in ignorance of the same by the Defendants, and those working with, through and in conjunction with them, and the said Defendants neglect

and refuse to assign or transfer them to your orator,
34 although your orator has asserted its claim to the same and insisted upon an assignment to it of said inventions and improvements, and patents and applications for patents, as it was entitled to under said license contract of December 12, 1904.

34. That as your orator is informed and believes and so charges the fact to be, the said Defendants, without the knowledge or consent of your orator, have granted certain licenses or shoprights to The Seng Company, the Naperville Lounge Company, and others, under said letters patent and applications for letters patent, which licenses or shoprights should in equity be assigned or transferred to your orator, along with

the legal title to said letters patent and applications for letters patent, and to which your orator asserts a claim and right under said license contract of December 12, 1904.

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35. That the inventions and improvements described in the above specified letters patent and in the pending applications, so far as the same were contained in or covered by the patents and applications for inventions or improvements devised and gotten up by the said Defendant, Solomon Karpen, solely or jointly with others, as your orator is informed and believes and so charges the fact to be, were devised and gotten up for the purpose and with the intention of being submitted to your orator for its approval and acceptance, and

with the expectation and intention of assigning them to
35 your orator under the 25th paragraph of the license contract of December 12, 1904, but that, through the suggestions, encouragement, instigation and inducements of The Seng Company, or others, they were afterwards purposely, wilfully and deliberately withheld from being submitted to your orator and assigned to it, for the purpose of enabling the Defendants to enter into a separate contract or agreement between themselves and others for their mutual financial profit and benefit, and to the exclusion of your orator, for the manufacture and sale of devices and fixtures in competition with and as substitutes for those licensed in the said contract of December 12, 1904, and thereby enable the Defendants, and each and all of them, to disregard and evade their duties and obligations under said license contract, and to enter upon a course of dealing that would enable them to realize and retain the profits resulting from the manufacture and sale of such inventions and improvements, to the exclusion of your orator from any share or participation therein, and to deprive it from any share or participation in the royalties, profits, benefits and advantages that they expected to accrue and receive, and which have accrued and been received by them from the manufacture and sale thereof, and thus avoid and escape any payment of royalties which would accrue and be payable to your orator if the inventions and improvements of said patents and applications for patents had been assigned to your orator and brought under the terms and provisions of the said license contract of December 12, 1904, as under the provisions of said contract they should have been.

36 36. That the agreement and undertaking on the part
of the Defendants to submit and to assign to your orator
inventions and improvements and patents and applications
covering the same, as provided for in said 25th paragraph of
said license contract of December 12, 1904, was a part of the
consideration which caused and induced your orator to make
and enter into said contract; that unless it receive an as-
signment or transfer of the legal title to such patents and
applications, and all rights or interests of the Defendants
therein, there will be a failure of part of the consideration
which your orator was to receive for its agreements and un-
dertakings in said license contract; and that the damages
which your orator has suffered and will continue to suffer
on account of the failure to receive and own and enjoy the
legal title to such patents and applications, and the rights
and interests of the Defendants therein, which should be as-
signed and transferred to your orator, are incapable of meas-
urement or ascertainment in any action at law, for the rea-
son that the provision in said 25th paragraph of said license
contract, with reference to the assignment of inventions and
improvements, was a part of the entire contract, each of the
provisions of which were material to the other provisions
therein contained, and that the legal title to said inventions
and improvements, and the patents and applications cover-
ing and securing the same, and the rights or interests of the
Defendants therein, are of special value and importance to
your orator in enabling it to maintain and exercise and
37 enjoy its rights under said license contract of December
12, 1904, the value of which, in dollars and cents, will
be difficult, if not impossible, to accurately and definitely as-
certain, and that your orator has no plain, adequate or com-
plete remedy at law in the premises, on account of the mat-
ters above stated.

GENERAL ALLEGATIONS.

37. That your orator has discharged and performed all
of the duties and obligations required and imposed upon it
by the terms and provisions of the contracts of December
12, 1904, and of February 10, 1906, and of December, 1911,
and has in no way failed or neglected to do all and any of
the acts and things required by it to be done under and in
accordance with the terms and provisions of said contracts

and each of them, and it now expresses a willingness to do, and is able to do, and hereby offers to do, any and every thing which a Court of Equity may consider right and equitable on its part to be done, if anything, to entitle it to the relief sought and prayed for in this its Bill of Complaint.

38. That your orator does not know and does not have any means of ascertaining the number of fixtures or devices which the Defendants have induced, procured and persuaded The Seng Company, the Naperville Lounge Company, and others, to manufacture, sell or use, in infringement and violation of

your orator's rights under the patents enumerated in 38 said license contracts of December 12, 1904, and December, 1911, nor the amount of profits that the Defendants have realized, or which have arisen or accrued to them through their infringement of said letters patent, nor the amount of damages which your orator has suffered by reason of the manufacture and sale of devices or fixtures in infringement of its said letters patents, through the inducement, procurement and persuasion of the Defendants, without a discovery thereof from the Defendants, through an accounting in reference to the same; and that, in order that justice and equity may be done, the Defendants should be required to account to your orator concerning the manufacture and sale of devices or fixtures so made and sold in infringement of your orator's said letters patent, through the inducement, procurement and persuasion of the Defendants, and a decree in favor of your orator and against the Defendants for such profits as on such accounting it may be shown that they have realized or that have arisen or accrued to them, and for such damages as it may be shown that your orator has suffered and sustained by reason of said infringements.

39. That in reliance upon the mutual agreements and covenants contained in the said license contract of December 12, 1904, including the ones referred to in the Bill of Complaint herein, and upon the expectation that they would be performed and carried out by the Defendants and The Seng Company, in good faith, your orator has not only expended money to enable it to fulfill its duties and obligations under said license contract, but has irrevocably surrendered valuable and enforceable claims against the Defendants and The Seng Company, for profits and damages for past infringement of the patents owned by your orator and enumerated above, existing at and prior to the date of

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13. the entering into said license contract of December 12, 1904; and that your orator also granted licenses under said patents to said Defendants and The Seng Company, which they have been enjoying since the date of said contract, and which they are now wrongfully, inequitably and unlawfully availing themselves of in violation of said license contract of December 12, 1904, considered as a whole.

40. That there is no adequate remedy at law to meet the circumstances and exigencies of this case; and that only full, complete and adequate justice can be done or decreed in a Court of Equity, where matters of this kind are properly cognizable, and where an injunction can be ordered and a discovery can be obtained, and an accounting for profits and damages had, and specific performance of the agreement to assign and transfer all inventions and improvements and patents or applications for patents covering the same, may be decreed and required, so as to reimburse and compensate your orator for the financial loss and injury that it has sustained through and by reason of the infringement of its said letters patent, and the violation of its license contracts, and so as to vest your orator with the legal title in and to said

40 letters patent and applications for patents, and its rights and interests therein and thereunder, as contemplated and required under the 25th paragraph of said license contract of December 12, 1904, and where the Defendants can be enjoined and restrained from further infringing said letters patent or any of them, and from violating, or inducing, procuring and persuading the disregard and violation of said license contracts or any of them, and from transferring, conveying, mortgaging, granting shoprights or licenses under, dealing in, or otherwise disposing of said inventions or improvements, and the patents and applications covering and securing the same, so as to avoid a multiplicity of suits which would be required were the Defendants permitted to continue the infringement of said letters patent or any of them, or to induce, procure and persuade others to infringe them, or to disregard and violate the terms and provisions of said license contracts or any of them, or permitted in any way to deal with said patents and applications for patents.

PRAYER.

To The End, Therefore, That your orator may obtain relief herein according to the course and practice of this Court sitting as a Court of Equity, and because it has no adequate remedy elsewhere, it prays that there may be granted unto it the relief enumerated below, and such other and further relief as may be according to equity and good conscience.

41 A. That the Defendants, S. Karpen & Bros., of West Virginia, S. Karpen & Bros., of Illinois, and Solomon Karpen, may be made Defendants to this your orator's Bill of Complaint, and be required to answer it and every allegation herein contained, as fully as if directly interrogated as to each, but not under oath, an answer under oath being hereby expressly waived.

B. That the defendants, S. Karpen & Bros., of West Virginia, S. Karpen & Bros., of Illinois, and Solomon Karpen, their officers, agents and employees, and all persons acting in concert or in connivance with them or any of them, may be enjoined and restrained, both preliminarily and provisionally as well as perpetually, from directly or indirectly infringing and violating, and from inducing, procuring and persuading others to infringe and violate your orator's said letters patent, and the rights of your orator in its patent monopoly under the same, and from directly or indirectly disregarding and violating, and inducing or attempting to induce, or procuring or attempting to procure, or causing others to disregard and violate any of the covenants, conditions or obligations now existing or which may hereafter exist, on the part of themselves or others under the license contract of December 12, 1904, and the license contract of December, 1911, relative to the licensed devices or fixtures which The Seng Company is licensed to manufacture and sell under said license contract of December 12, 1904.

42 C. That the Defendants, S. Karpen & Bros., of West Virginia, S. Karpen & Bros., of Illinois, and Solomon Karpen, and each of them, their officers, agents and employees, and all persons acting in concert or connivance with them, or any of them, may be enjoined and restrained, both preliminarily and provisionally as well as perpetually, from selling, mortgaging, encumbering, granting licenses or shop-rights under, or otherwise disposing of or dealing with any

13. of the patents and pending applications for patents or inventions or improvements in sofa beds, now standing in their names or in the name of either of them, or any interest therein or shopright thereunder of any kind or nature whatsoever, and that they and each of them may be decreed to assign and transfer to your orator all and each of such patents and pending applications for patents, and interests therein or thereunder, which they now have or which they may hereafter acquire, falling or coming within the terms, provisions and obligations of the license contract of December 12, 1904, so as to be included in said license contract, as fully and entirely as if specifically mentioned and enumerated therein.

D. That the Defendants, S. Karpen & Bros., of West Virginia, S. Karpen & Bros., of Illinois, and Solomon Karpen, and each of them, may be decreed to account with and pay to your orator for all profits which they have derived or received, or which have arisen or accrued to them, by reason

of their infringement of your orator's said letters patent
43 ent and violation of its patent monopoly under the same, together with all the damages that your orator has suffered or sustained by reason of such infringement, and of the violation of the terms, conditions and provisions of said license contracts of December 12, 1904, and December, 1911, and the wrongful acts and doings of the Defendants as hereinbefore set forth, which the said Defendants have, either directly or indirectly, by inducing, procuring and persuading others, been guilty of, as may be just and proper and warranted by law.

E. That the defendants, and each of them, may be decreed to pay the costs of this suit, and that your orator may have such other and further or different relief in the premises as may be agreeable to equity and good conscience, and as to Your Honors may seem meet.

May It Please Your Honors to grant unto your orator writs of subpoena issuing out of and under the seal of this Honorable Court, directed separately to each of said Defendants, S. Karpen & Bros., of West Virginia, S. Karpen & Bros., of Illinois, and Solomon Karpen, commanding them and each of them, on or before the 20th day after service thereof, exclusive of the day of such service, and under a certain penalty, to answer the premises, and to stand to and abide by such order and decree as may be made against

them, and each of them; and also a writ of injunction, as well preliminary and provisional as perpetual, issuing out of
 44 and under the seal of this Honorable Court, enjoining
 and restraining the said Defendants, and each of them,
 their officers, agents, attorneys, servants and workmen, as
 is heretofore in that behalf prayed.

And your orator will ever pray, etc.

GENEVA FURNITURE MANUFACTURING COMPANY,

By WILLIAM T. ROLPH,
President.

BANNING & BANNING,
Solicitors for Complainant.

THOMAS A. BANNING,
Of Counsel.

State of New York, }
 County of Ontario. } ss.

William T. Rolph, being duly sworn on oath deposes and says: That he is the President of the Geneva Furniture Manufacturing Company, the Complainant herein; that he has read the foregoing Bill of Complaint, together with the Exhibits attached thereto, and knows the contents thereof; and that the statements and allegations of the Bill of Complaint, purporting to be statements of fact, are true, and that he believes all matters therein stated on information and belief to be true.

WILLIAM T. ROLPH.

Subscribed and sworn to before me this 21st day of June, 1913.

(Seal)

WILLIAM O'HANLON,
Notary Public.

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"EXHIBIT A"

(1)

Agreement.

This Agreement made and entered into this 12th day of December, 1904, by and between the Geneva Furniture Manufacturing Company, a corporation of Geneva, New

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York, party of the first part, S. Karpen & Bros., a corporation of the State of West Virginia, and S. Karpen & Bros., a corporation of the State of Illinois, parties of the second part, and The Seng Company, a corporation of the State of Illinois, party of the third part,

Witnesseth:

Whereas, the party of the first part is the owner of the following letters patent of the United States, viz:

- (2) No. 685,122, of June 22, 1897, to William T. Rolph;
 No. 624,008, of May 2, 1899, to Fred C. Genge;
 No. 624,591, of May 9, 1899, to Theodore G. Weyer;
 No. 632,053, of Aug. 29, 1899, to Solomon Karpen;
 No. 637,976, of Nov. 28, 1899, to William T. Rolph;
 No. R. 11,831, of June 19, 1900, to William T. Rolph;

And, Whereas, there have heretofore been certain contracts or assignments entered into pertaining to said Letters Patent, or some of them, as follows:

An agreement dated March 1st, 1899, between S. Karpen & Bros., a firm, and The Seng Company.

- (3) An agreement dated November 10, 1900, between S. Karpen & Bros., a firm, and Rolph and Ball;

An agreement dated November 27, 1900, between S. Karpen & Bros., a firm, Rolph & Ball, and The Seng Company;

- 46 An agreement dated December 7, 1901, between S. Karpen & Bros., a firm, and W. T. Rolph;

An agreement dated December 31, 1901, between Fred R. Salisbury and S. Karpen & Bros., a firm;

An agreement dated February 1st, 1902, between S. Karpen & Bros., a firm, and Fred R. Salisbury and The Seng Company;

An agreement dated February 1st, 1902, between S. Karpen & Bros., a firm, and The Seng Company; and

An agreement dated September 12, 1902, between Fred R. Salisbury and S. Karpen & Bros., the West Virginia corporation.

- (4) And, Whereas, there is now pending in the United States Circuit Court for the Northern District of Illinois, certain litigation between the Geneva Furniture Manufacturing Company, as complainant and cross-defendant, and The Seng Company and S. Karpen & Bros., the Illinois corporation, as defendants and cross-com-

plainant, under or in relation to some of the above named Letters Patent and contracts;

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And, Whereas, it is the desire of all the parties hereto to terminate such litigation and all of the existing contracts above mentioned, and to enter into a new agreement or arrangement in substitution of each and all of said contracts, whereby the respective rights of the parties hereto in reference to the matters in controversy in said litigation, and their respective rights under said Letters Patent shall be settled and defined;

Now, Therefore, in consideration of the premises, and of the mutual promises and undertakings of the parties hereto, it is agreed and provided as follows:

- 47 1. The pending litigation shall be terminated by the dismissal of the bill and cross-bill in the suit above mentioned without costs to either party, as against the other, and each and every of the above contracts shall be, and (6) hereby is, ended, abrogated and cancelled.

2. The party of the first part shall, without the payment of any royalty, have the exclusive right to sell complete sofa-beds and sofa-bed frames in the forms shown in the Rolph patents Numbers 585,122, 637,976, and Re-issue 11,831 and in the Genge patent Number 624,008, and shall, without the payment of any royalty, have the right to sell complete sofa-beds and sofa-bed frames in the forms shown in the Weyer patent Number 624,591, and such rights shall, without the payment of any royalty, include the privilege of manufacturing or causing to be manufactured, the same and parts thereof for the (7) purpose of sale by it in the form stated; said rights and privileges however, to be exercised only in the usual and regular course of its own business of manufacture and sale. The party of the first part shall, also, without the payment of royalty, have a right to sell to the Grau-Curtis Company, of Minneapolis, Minnesota, and its successors, but not its assigns, for use by them only, in the manufacture and sale of complete sofa-beds, the metal fixtures of the kind shown and described in the Rolph and Genge Patents enumerated, and this last mentioned right shall, without the payment of royalty, include the (8) privilege of manufacturing and causing to be manufactured said fixtures for sale to the Grau-Curtis Company 48 and its successors, for the use by them in the manner

above stated. It is understood that said fixtures shall be sold to said Grau-Curtis Company at a price not less than Two Dollars (\$2.00) per set for the non-automatic and Three Dollars and seventy-five cents (\$3.75) per set for the automatic. The party of the first part shall have the right, also without the payment of royalty, to manufacture or cause to be manufactured, such fixtures of the kind shown and described in said Rolph and Genge

- (9) patents as may be required for the use of the party of the second part in the manufacture of complete sofa-beds and sofa-bed frames to be sold by such party of the second part as may exercise the rights hereunder only in the usual and regular course of its own business of manufacture and sale, and said party of the first part shall sell said fixtures to said party of the second part at a price equal to the actual manufacturing cost plus a manufacturer's profit of twenty per cent (20%) plus a royalty of One Dollar (\$1.00) per set on the automatic and fifty cents (50c) per set on the non-automatic, and if the party of the first part shall, upon demand, fail to deliver
- (10) any order for said fixtures placed by the party of the second part, within thirty days, not exceeding, however, a requirement of two hundred (200) sets within any period of thirty (30) days, the party of the second part shall have the right thereafter to manufacture, for its own use as aforesaid, the Rolph Automatic and Non-Automatic, or the improved forms thereof, upon payment of the royalties last-above stated during the period of such failure.

- 49 3. The parties of the second part, or either of them, but not both concurrently, shall have the exclusive right, without the payment of any royalty, to sell complete sofa-
- (11) beds and sofa-bed frames, in the form shown and described in the Karpen patent Number 632,053, and the right, exclusive as to all except the party of the first part, without payment of any royalty, to sell complete sofa-beds and sofa-bed frames, in the form shown and described in the Weyere patent Number 624,591, and said rights shall, without the payment of any royalty, include the privilege of manufacturing or causing to be manufactured, the same and parts thereof, for the purpose of sale by it in forms stated, said rights and privileges, however, to be exercised only in the usual and regular

(12) course of their own business of manufacture and sale. It is provided, however, that the party of the first part shall have the right at all times, to purchase from the parties of the second part only, and the parties of the second part agree, whenever so requested, to sell to the party of the first part, for use only by the party of the first part in the manufacture if complete sofa-beds and sofa-bed frames only, the fixtures of the kind shown and described in Patent Number 632,053, known as the Karpen Automatic, or any improved form of the Karpen Automatic device now made or which shall hereafter be

- (13) made by the party of the second part or the same without the hinge at the prices scheduled in Paragraph Nine hereof, plus one-half of the agreed royalty upon said fixtures. Provided, however, that if the party of the second part should itself manufacture or cause to be manufactured by any party other than The Seng Company said devices for the Karpen Automatic or said improved forms thereof, the price to be charged the party of the first part by the party of the second part shall be the cost of said devices plus twenty per cent (20%) and one-half of the agreed royalty upon said fixtures. And, further, that if the party of the second part shall, upon demand, fail to deliver any order for said fixtures placed by the party of the first part, within thirty days, not exceeding, however, a requirement of two hundred (200) sets within any period of thirty days, the party of the first part shall have the right thereafter to manufacture for its own use as aforesaid, the Karpen Automatic or the Improved forms thereof, upon payment of one-half of the agreed royalty upon said fixtures, during the period of such failure.

4. It is understood and agreed that the party of the first part shall grant no license or shoprights to any party under the patents enumerated in this contract, or any of them, or any dominating patent they have or may acquire, except as specified herein and except as an implied license may result from the manufacture and sale of sofa-beds, frames and fixtures herein expressly authorized; and no party hereto shall authorize the manufacture or sale of, or sell the sofa-beds, frames or fixtures of any thereof shown and described in said pat-

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ents, or any of them except as herein expressly authorized.

5. The parties of the second part hereby pay unto
51 the party of the first part Eleven Hundred Fifty Nine
(16) Dollars and eight cents (\$1159.08), receipt of which in
full for all royalties heretofore due under prior contracts
to date, including all royalties due from the Sanitary
Steel Folding Bed Company, is hereby acknowledged.

6. It is agreed that a certain contract between the
Sanitary Steel Folding Bed Company and the West Vir-
ginia Corporation of S. Karpen & Brothers, shall be as-
signed to the Geneva Furniture Manufacturing Company,
and that one-half of the royalties accruing thereunder
shall be paid by said Sanitary Steel Folding Bed Com-
(17) half of said royalties shall be paid to the party of the
second part, and the party of the first part herewith
presents to the party of the second part an order on said
Sanitary Steel Folding Bed Company to pay one-half of
the hereafter accruing royalties to said second party
hereunder.

7. Said party of the third part shall have the exclu-
sive right, upon the payment of royalties, as hereinafter
provided, to make and sell to the manufacturing trade
the fixtures of the Karpen and Weyer patents (now
known as metal fixtures) for use by the trade in the man-
ufacture of sofa-beds and sofa-bed frames; provided that
(18) the party of the third part shall faithfully perform the
covenants hereinafter contained.

52 8. It is understood that the party of the third part
shall not sell said fixtures to any manufacturer engaged
in the manufacture or sale of sofa-beds or sofa-bed
frames, or fixtures of similar or infringing nature, after
notice shall be brought to said third party of such man-
ufacture or sale of similar or infringing devices, provided
that in any case where such manufacturer shall cease to
manufacture or sell the same, said party of the third
(19) part may sell the fixtures of said Karpen and Weyer
patents to such manufacturer so long as the similar or
infringing devices are not manufactured or sold.

9. The party of the third part hereby agrees to man-
ufacture all fixtures in a good and workmanlike man-
ner, and in number equal to the demands of the parties

of the first and second part, plus the demands of the general manufacturing trade, and that it will at all times promptly manufacture and deliver to the parties of the first and second parts, respectively, all fixtures of the kind shown and described in the Karpen and Weyer Pat-
 (20) ents, or any improved form thereof, now made or which shall hereafter be made by it under authority of this agreement, which may be required by said parties for use in the manufacture of sofa-beds and sofa-bed frames for their own trade, including such fixtures as the party of the second part may order for the party of the first part in pursuance of the provisions of paragraph three thereof, at a price not exceeding One dollar and fifty cents (\$1.50) per set for the Karpen Automatic Fixtures;
 53 and not exceeding sixty-five cents (65c) per set for the
 (21) Weyer fixtures; and at a price not exceeding eighty-five cents (85c) per set for the Karpen Automatic fixtures without the hinges; and also that it will use its best endeavors by all the usual recognized commercial means, such as advertising and personal solicitation, to promote the demand for and the sale of said fixtures by and to the general manufacturing trade.

10. The party of the third part shall not sell said fixtures embodied in sofa-beds or sofa-bed frames. Nor shall it cause such fixtures to be used and sold in sofa-beds and sofa-bed frames, except as specified in this contract and upon the payment of royalties, as hereinafter provided.

(22) 11. The party of the third part shall not engage in competition with the parties of the first and second parts to the extent of manufacturing either any infringing or any similar devices, fixtures, sofa-beds or sofa-bed frames, on its own account, or for others.

12. The party of the third part shall pay royalties upon said fixtures manufactured and sold or delivered by it to the trade, for use in the manufacture of sofa-beds and sofa-bed frames, one-half of said royalties to be paid to said party of the first part, and the other half thereof to the parties of the second part, as follows:

54	Weyer fixtures of patent	
(23)	Number 624,591, per set,	\$.70
	Karpen fixtures of patent	
	Number 632,055, per set,	\$1.20

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13. The royalties to be paid by the party of third part shall be due and payable on the first days of January, April, July and October, in each year during the continuance of this agreement, full accounting and payment to be made on each of said days for the preceding quarter.

14. In the event of the inability of the party of the third part to collect for the fixtures sold under this agreement, owing to the failure or insolvency of the buyer hereof, the royalty, if already paid, shall be deducted from the amount due at the next succeeding quarter, or in the event of partial collection, the parties of the first and second parts shall be paid pro rata.

15. The party of the third part shall sell the aforesaid fixtures of the Weyer and Karpen patents, at prices not exceeding the following:

Weyer fixtures at not exceeding \$1.33 per set;

Karpen " " " " 2.70 per set.

The prices mentioned in this clause shall remain fixed, unless there is an advance in the price of steel or iron, in which case there may be a proportionate advance in the price of said fixtures.

- (25) 16. The party of the third part shall keep accurate
55 account, and shall render a full statement to each of the parties of the first and second part, on the first days of January, April, July and October, of each year, each statement to show the fixtures manufactured and sold or delivered for the preceding quarter upon which royalties may be due to either of the parties of the first and second parts; said statements to show the names of all parties to whom such fixtures have been sold, together with the number of each kind of fixtures; such state-
(26) ments if the parties of the first or second part shall so require, shall be verified by the oath of some competent officer or employe of the party of the third part.

17. The party of the third part shall affix to, or stamp upon, every fixture manufactured under this license, the word "Patented," together with the dates of the appropriate patents.

18. The party of the third part shall not, either directly or indirectly, use said inventions, or any of them, otherwise than in accordance with this license, and shall

at no time dispute the validity of any of the above enumerated patents.

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- (27) 19. It is agreed that in the event the party of the third part shall make default in payment of royalties at any time for more than thirty (30) days after the same shall be due and notice to that effect shall have been received, or if the party of the third part shall deny to the parties of the first or second parts, access to the books and accounts of the party of the third part, for the purpose of auditing the same, or in the event that the party of the third part shall make default in keeping any of the
- 56 (28) agreements herein contained, then it shall be lawful for the parties of the first or second parts by notice in writing to the party of the third part, to terminate this agreement so far as the rights of the party of the third part are concerned, without prejudice to any rights of action or remedy of the parties of the first or second parts for the recovery of any moneys then due them hereunder; and it is further agreed that in the event that the party of the third part shall become bankrupt or insolvent, or enter into any composition with its creditors, this agreement in so far as the party of the third part
- (29) is concerned therein and all rights of the party of the third part herein or hereunder, shall ipso facto cease and determine.

20. It is understood that if the party of the third part shall discontinue the manufacture of said fixtures under this agreement, either wholly or to such extent as to unreasonably delay shipments of such fixtures to the party ordering the same, for more than thirty (30) days after the receipt of an order therefor, then the parties of the first or second parts shall be at liberty, by notice in writing to the party of the third part, to terminate this agreement as to the party of the third part, and the parties of the first and second parts shall thereafter be at
- (30) liberty jointly to license or enter into any agreement with another party or parties to manufacture such fixtures.
- 57

21. Except as otherwise provided herein this agreement shall extend to the full terms of the patents first hereinabove mentioned, respectively, but all royalties under any particular patent shall cease with the termination of the life of such patent.

22. The party of the first part shall have the right to institute and prosecute in its own name and on its own behalf and for its own benefit and at its own expense, any
- (31) and all suits and proceedings at law or in equity, for infringement of any of the patents first above mentioned, and to appropriate to its own use any and all profits and damages for past infringements which it may recover in any such suit or proceeding, either upon judgment or by settlement or compromise; in case the party of the first part shall be notified in writing by either of the parties of the second or third parts of any infringement of any of said patents, such notice being accompanied by proof of such infringement, and shall fail or refuse within sixty days after receipt of such notice and proof to institute and thereafter to prosecute suit for such infringement,
- (32) the party giving such notice may upon indemnifying and saving harmless the party of the first part from all costs, expenses and damages, institute and prosecute in the name of the party of the first part, but at the expense and for the benefit of the said party giving such notice, any proceeding at law or in equity for such infringement, and may
- 58 have and appropriate to its own use any profits or damages for past infringements which it may recover in said suit or proceeding either upon judgment or by settlement or compromise.

- Provided, however, that if by judgment or by settlement
- (33) or compromise in any suit instituted or prosecuted in the name of the party of the first part, by either or both of the second or third parties, said second or third parties acquire by judgment or agreement any patents or inventions, said patents and inventions shall be assigned to the party of the first part and be subject to the terms of this agreement.

- Where, under the provisions of this paragraph, any such suit is instituted by either or both of the parties of the second or third parts, the other, or others, of said parties to this agreement may, if it or they so desire, join therein at any time prior to judgment or settlement, upon payment of the proportionate expense up to the time of
- (34) joining, and in case of settlement or compromise, the party or parties joining shall have the right, upon the payment of the proportionate expense to receive the proportionate benefit. No settlement for any alleged infringement shall be made by any party which will leave the

alleged infringer free to continue such alleged infringement.

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23. It is mutually agreed that the rights and privileges which under this contract are provided to be exercised by the party of the first part, shall extend to such changes in or additions to the forms shown in the Rolph and Genge patents as the party of the first part has made or may hereafter make, and to all such changes in or additions to the forms shown in the Karpen and Weyer patents as the party of the first part or the parties of the second or third parts have made or may hereafter make; and that the rights and privileges which under and by this contract are conferred upon the parties of the second and third parts, respectively, shall extend to such changes in or additions to the forms shown in the Karpen and Weyer patents as said parties of the second and third parts have made or may hereafter make.

24. It is further agreed that in the event said party of the first part has produced or acquired or shall hereafter produce or acquire any improvements, on said (36) Rolph and Genge patents of a patentable order, it shall take patents thereon, and said patents shall be subject to the same terms as are the Rolph and Genge patents herein named.

25. It is further agreed that if either of the parties of the second or third parts has produced or acquired or shall hereafter produce or acquire any improvements on said Karpen and Weyer patents of a patentable order the same shall be referred to the party of the first part and be made the subject of application for United States Patents, which application shall be assigned to the party of the first part; provided, however, that the party of the first part shall bear the expense connected therewith. 60 It is further agreed that any patents so taken shall be subject to the same provisions of this contract as are (37) the Karpen and Weyer patents.

26. None of the parties hereto shall exercise any rights under any dominating patents which they or any of them have or may acquire, in any manner to prevent the full exercise by any other party hereto, of its rights hereunder.

27. It is agreed that if the party of the first part

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shall fail to make application within ninety (90) days after any improvements shall be submitted to it by either of the parties of the second or third parts and to diligently prosecute the same to patent, then the party presenting the improvement may patent it and the first party shall not be entitled to use the improvement so patented except as embodied in fixtures purchased from (38) the parties of the second or third parts.

28. It is agreed that in case of the termination of the rights of the third party hereunder and the failure of the parties of the first and second parts to agree within thirty (30) days upon another party to manufacture the Karpen and Weyer fixtures for the general manufacturing trade, under the provisions of Clause Twenty (20), then either of said parties of the first or second parts shall be at liberty to manufacture or cause to be manufactured and to sell to the manufacturing trade said fixtures at the prices provided in Paragraph Fifteen (15) hereof; Provided, however, that monthly accountings shall be made to the other and the half of royalties due (39) it shall be paid as the same shall accrue.

61 29. It is agreed that any unavoidable failure by the party of the third part to keep any of its covenants herein, such as may be caused by acts of God, or strikes, shall not work a forfeiture of the rights of said third party, provided, however, that should such failure continue more than thirty (30) days after notice thereof brought to said third party, the parties of the first and second parts, or either of them, shall be at liberty temporarily to supply the manufacturing trade with said Karpen and Weyer fixtures. Furthermore, it is understood that in any event except in case of an ipso facto (40) termination provided for in Paragraph 19 a forfeiture shall not be worked within less than thirty days after notice shall be brought to said party of the third part of a failure by it to keep any of its covenants.

30. This agreement shall be binding upon and inure to the benefit of the party of the first part, its successors and assigns and shall also be binding upon and inure to the benefit of the parties of the second and third parts, and their successors, but not their assigns.

In Witness Whereof The parties hereto have hereunto set their hands and affixed their corporate seals by

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- (41) their respective presidents and attested by their respective secretaries the day and year first above written.
 part.) GENEVA FURNITURE MANUFACTURING Co.
 the first) By W. T. ROLPH,
 Party of) *President.*

62 Attest:

GEO. M. B. HAWLEY,
 (Seal) *Secretary.*

(Seal)

Parties of)

the second)

part)

Attest:

ADOLPH KARPEN
Secretary.

(Seal)

Attest:

ADOLPH KARPEN
Secretary.

S. KARPEN & BROS.

By SOLOMON KARPEN,
President.

S. KARPEN & BROS.

By SOLOMON KARPEN,
President.

(42) *Secretary.*

Party of)

the third)

part.)

(Seal)

Attest:

GERARD J. BIEHL
Secretary.

THE SENG COMPANY

By F. J. SENG
President.

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"EXHIBIT B"

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Whereas, By virtue of the certain contract dated December 12, 1904, by and between the Geneva Furniture Manufacturing Company, S. Karpen & Brothers, an Illinois corporation, S. Karpen & Brothers, a West Virginia corporation, and the Seng Company, of Chicago, Illinois, certain rights in the patents enumerated in said contract of December 12, 1904, are defined, and,

- (43) Whereas, A dispute has arisen by and between the parties thereto, whereby the right of the Seng Company to manufacture a certain device, a sample of which was sent to the Geneva Furniture Manufacturing Company November 6, 1905, has been disputed by the Geneva Furniture Manufacturing Company, the owner of the patents referred to in the contract of December 12, 1904, and,

Whereas, By virtue of a certain letter dated August 1, 1905, written by the Geneva Furniture Manufacturing Company to the Seng Company, wherein the royalty to be charged under the contract of December 12th was reduced to fifty cents (50 cts.) for one year from August 1, 1905, and

- (44) Whereas, The right to return the royalty to the contract price of the contract of December 12, 1904, on the part of the Geneva Furniture Manufacturing Company is disputed by the Seng Company and S. Karpen & Brothers, and

- 64 Whereas, S. Karpen & Brothers are the owners of record of a certain patent granted to Theodore Weyer on the 11 day of November, 1902, being Serial Number 713,260, S. Karpen & Brothers assignee, which patent and invention is claimed by the Geneva Furniture Manufacturing Company under contract of December 12, 1904.

Now, Therefore, In order to adjust and settle all the differences above referred to by and between the original parties to the contract of December 12, 1904, it is hereby mutually agreed as follows, the mutual covenants

- (45) and promises of one being in consideration for the mutual covenants and promises of the other.

S. Karpen & Brothers and the Geneva Furniture Manufacturing Company herewith agree that the reduction of the royalty to fifty cents (50 cts.) under the contract of December 12, 1904, shall remain in force at said reduced price until August 1, 1910. The Geneva Furniture Manufacturing Company herewith covenants that it has received and will file for record upon receipt of this instrument executed by the other parties hereto and the receipt of the assignment of the Weyer patent above referred to by S. Karpen & Brothers to the Geneva Furniture Manufacturing Company, an absolute assignment

- (46) of all the right, title and interest in and to Patent Number 802,599 dated October 24, 1905, from William T. Rolph, the patentee, which assignment dated January 23, 1906, is now in our possession.

- 65 Further, the Geneva Furniture Manufacturing Company agrees to deliver to the Seng Company and S. Karpen & Brothers (both West Virginia and Illinois Corporations) upon receipt of this instrument properly executed and the assignment of the Weyer patent above referred to to the Geneva Furniture Manufacturing Com-

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pany, a Release by William T. Rolph to the Seng Company and S. Karpen & Brothers (both West Virginia and Illinois Corporations) for all claims of every nature (47) whatsoever for infringement of Patent Number 802,599, which agreement of Release is now executed and in their possession.

S. Karpen & Brothers herewith agree to deliver to the Geneva Furniture Manufacturing Company an absolute assignment of all the right, title and interest in and to the Weyer patent United States Serial Number 713,260, and it is understood that this patent as well as the Rolph patent Number 802,599 shall be subject to the terms of the contract of December 12, 1904.

The Seng Company herewith agrees that the termination of the reduction of royalties shall be August 1, 1910.

It is further agreed by S. Karpen & Brothers and the Geneva Furniture Manufacturing Company that The (48) Seng Company has the right to manufacture the device heretofore referred to as the disputed device, a sample of which was sent to the Geneva Furniture Manufacturing Company November 6th, 1905.

66 In Witness Whereof the parties have hereunto set their hands and corporate seals signed by their respective presidents and attested by their respective secretaries.

Dated February 10, 1906.

(Seal) GENEVA FURNITURE MFG. CO.
Attest: By W. T. ROLPH
G. M. B. HAWLEY President
Secretary.

(Seal) S. KARPEN & BROS.
Attest: By SOLOMON KARPEN,
President.

(49) ADOLPH KARPEN
(Seal) Secretary.

(Seal) S. KARPEN & BROS.
Attest: By SOLOMON KARPEN
ADOLPH KARPEN President.
Secretary

(Seal) THE SENG COMPANY
Attest: By F. J. SENG,
C. J. BIEHL President.
Secretary.

"EXHIBIT C"

This Agreement, made and entered into this day of December, 1911, by and between the Geneva Furniture Manufacturing Company, a Corporation organized under the laws of the State of New York, of Geneva, New York, Party of the first part, and the Naperville Lounge Company, a Corporation organized under the laws of the State of Illinois, of Naperville, Illinois, party of the second part:

Witnesseth, Whereas, the party of the first part is the owner of the following letters patent of the United States, namely:

- No. 558,122, to William T. Rolph,
- No. 624,008, to F. C. Genge,
- No. 624,591, to T. G. Weyer.
- No. 632,053, to S. Karpen.
- (50) No. 637,976, to W. T. Rolph.
- No. 641,865, to H. Kuerston.
- No. 11,831, Reissue to W. T. Rolph.
- No. 676,004, to Isaac Karpen.
- No. 713,260, to T. G. Weyer.
- No. 744,839, to T. G. Weyer.
- No. 820,826, to J. T. Seng.
- No. 802,599, to W. T. Rolph.
- No. 818,250, to E. M. Hulse.
- No. 948,396, to S. Karpen.

- And, Whereas, the Naperville Lounge Company, the
- 68 party of the second part, is desirous of obtaining a special reduced price on a certain specific device manufactured by the Seng Company of Chicago, Illinois, under
- (51) one or more of the above enumerated Patents, for the party of the first part.

Now, Therefore, in consideration of the promises and mutual undertakings and agreements of the parties hereto, it is mutually agreed and provided as follows:

The Geneva Furniture Manufacturing Company, party of the first part, hereby agrees:

- (1) That written permission shall be granted to the Seng Company, of Chicago, Illinois, to make and sell to the Naperville Lounge Company, party of the second part, the device now being used by said second party, known as the "Seng Automatic" (which fixture or de-

vice is being manufactured for the party of the first part by the Seng Company), subject to the terms and conditions herein enumerated, for the use of said party of the second part, in the manufacture of completed

- (52) Sofa Beds, at the price of Eighty-five Cents, (85c) per set, F. O. B. Chicago.

(2) That written permission shall be granted to The Seng Company, of Chicago, Illinois, to make and sell to the Binghamton Lounge Company, a corporation organized under the laws of the State of New York, a subsidiary company of the party of the second part, the same device referred to in paragraph (1) supra, subject to the terms and conditions herein enumerated, for the use of said Binghamton Lounge Company in the manufacture of completed Sofa Beds, at the price of Eighty-five Cents (85c) per set, F. O. B. Chicago.

- (53) That written permission shall be granted to the Seng Company of Chicago, Illinois, to make and sell to the P. E. Kroehler Mfg. Co., a Corporation organized under the laws of the State of Illinois, a subsidiary company of the party of the second part, the same device referred to in paragraph (1) supra, subject to the terms and conditions herein enumerated, for the use of said P. E. Kroehler Mfg. Co., in the manufacture of completed Sofa Beds, at the price of Eighty-five cents (85c) per set, F. O. B. Chicago.

- (4) Should the party of the second part, and its two subsidiary companies, purchase and use one hundred thousand (100,000) or more sets of said fixtures during a period of three years, from December 1st, 1911, to
- (54) November 30, 1914, in that event party of the second part shall be entitled to a price of Eighty Cents (80c) per set, F. O. B. Chicago, and shall receive a rebate of five cents (5c) per set of fixtures purchased and paid for at the 85c per set price on the basis of the guarantee of a minimum purchase as hereinafter provided for.

- (5) That the party of the second part shall have the right, at any time during the life of this contract by notice in writing to the party of the first part, to elect to use and to substitute any sofa bed fixture or device which may be offered by the party of the first part to
- (55) the trade and to pay the current market price for the same; all other provisions herein remaining in full force

and effect as to the fixture or device selected and substituted.

The Naperville Lounge Company, party of the second part, hereby agrees:

(1) That the Naperville Lounge Company and the Binghamton Lounge Company and the P. E. Kroehler Mfg. Company, its subsidiaries, shall not sell the Sofa Bed fixtures or devices, herein referred to, it being understood and agreed that the use of these fixtures or devices is limited wholly to the manufacture and sale of completed Sofa Beds, and completed frames.

(56) (2) That the Naperville Lounge Company, the Binghamton Lounge Company, and the P. E. Kroehler Mfg. Company, or either of them, shall not use the said inventions, or any of them, or any part thereof, otherwise than in accordance with this contract, and shall, at no time, during the life of this contract, dispute the validity of any of the above enumerated Patents.

71 (3) That the Naperville Lounge Company, the Binghamton Lounge Company, and the P. E. Kroehler Mfg. Company, or either of them, shall not engage in competition with the party of the first part, during the life of this contract, to the extent of manufacturing any infringing or similar fixtures or devices, sofa beds or sofa bed frames, for its own account or for others, hereby agreeing to purchase, during the life of this contract, all fixtures or devices for the manufacture of Soda Beds, from the party of the first part, through the Seng Company of Chicago, Illinois.

(57) (4) The Naperville Lounge Company, party of the second part, hereby guarantees a minimum purchase of seventy five thousand (75,000) sets of fixtures by the Naperville Lounge Company, the Binghamton Lounge Company and the P. E. Kroehler Mfg. Company from December 1st, 1911, to November 30th, 1914, a period of three years.

(58) (5) The Naperville Lounge Company, party of the second part, hereby agrees, that in the event that they, or the Binghamton Lounge Company or the P. E. Kroehler Mfg. Company, shall make default in keeping any of the agreements herein contained, then it shall be lawful for the party of the first part, by notice in writing to the party of the second part, to terminate this agree-

ment, so far as the rights of the party of the second part are concerned, without prejudice to any right of action or remedy of the party of the first part, against either the party of the second part, the Binghamton Lounge Company or the P. E. Kroehler Mfg. Company, for the recovery of any moneys due hereunder, and by virtue of a breach of any of the terms or conditions of this contract, or for lawful damages recoverable for any reason whatsoever.

72 It is mutually understood and agreed by the parties
(59) hereto:

(1) That in the event that the party of the second part or the Binghamton Lounge Company or the P. E. Kroehler Mfg. Company, shall become bankrupt or insolvent or enter into any composition with its creditors then this agreement, in so far as the party of the second part, the Binghamton Lounge Company or the P. E. Kroehler Mfg. Company are concerned herein, and all rights of the party of the second part hereunder, shall ipso facto cease and determine; but the insolvency of the Binghamton Lounge Company or the P. E. Kroehler Mfg. Company shall in no way affect the rights,
(60) duties or liabilities of the party of the second part.

(2) That if by reason of any judicial decision of a Court of highest resort, having jurisdiction, the above enumerated patents shall be declared invalid, then, and from the date of such decision, this contract shall ipso facto cease and determine; otherwise it shall remain in full force and effect until November 30, 1914, unless terminated as provided in this contract.

(3) It is further understood and agreed that this contract shall ipso facto cease and determine when the purchases of the party of the second part, the Binghamton Lounge Company and the P. E. Kroehler Mfg.
(61) Company, shall have amounted to the number guaranteed in this contract.

73 (4) That this agreement shall be binding upon and inure to the benefit of the party of the first part, its successors and assigns, and shall also be binding upon and inure to the benefit of the party of the second part, its successors, but not its assigns.

In Witness Whereof, the parties hereto have hereunto set their hands, and affixed their corporate seals, signed by their respective Presidents and attested by

ent of
11.

their respective Secretaries, the day and year first above written.

Executed in Duplicate.

Party of) GENEVA FURNITURE MFG. CO.,
the First) By W. T. ROLPH,
Part) *President.*

Attest:

G. M. B. HAWLEY,

(62) *Secretary.*

Party of) NAPERVILLE LOUNGE COMPANY,
the Second) By P. E. KROEHLER,
Part) *President.*

Attest:

MRS. JOSEPHINE KROEHLER,
Secretary.

- 74 The undersigned, the Binghamton Lounge Company, of Binghamton, New York, by its President and attested by its Secretary, does hereby agree, that in consideration of a certain contract dated December, 1911, by and between the Geneva Furniture Mfg. Company, of Geneva, New York, party of the first part, and the Naperville Lounge Company, of Naperville, Illinois, party of the second part, to which this agreement is attached and made a part thereof, by virtue of which contract the undersigned, the Binghamton Lounge Company, will be benefitted by the special price therein made, and the sale to us of said fixtures or devices, at the price named, does hereby agree not to violate any of the clauses therein contained.

BINGHAMTON LOUNGE COMPANY,
By P. E. KROEHLER,
President.

Attest:

E. J. MOYER,
Secretary.

- 75 The undersigned, the P. E. Kroehler Mfg. Company, of Kankakee, Illinois, by its President and attested by its Secretary, does hereby agree, that in consideration of a certain contract dated December, 1911, by and between the Geneva Furniture Mfg. Company, of

Geneva, New York, party of the first part, and the Naperville Lounge Company, of Naperville, Illinois, party of the second part, to which this agreement is attached and made a part thereof, by virtue of which contract the (64) undersigned, the P. E. Kroehler Mfg. Company, will be benefitted by the special price therein named, and the sale to us of the said fixtures or devices, at the special price named, does hereby agree not to violate any of the clauses therein contained.

P. E. KROEHLER MFG. COMPANY,
By _____

P. E. KROEHLER,
President.

Attest:

E. J. MOYER,
Secretary.

76

Chicago, Illinois,
December _____ 1911.

We, the undersigned, S. Karpen & Bros., a corporation of the State of Illinois, S. Karpen & Bros., a corporation of the State of West Virginia, and the Seng Company, a corporation of the State of Illinois, have read the annexed copy of a proposed contract by and between the Geneva Furniture Mfg. Co. of Geneva, New York, party of the first part, and the Naperville Lounge Co. of Naperville, Illinois, party of the second part, and (65) herewith agree to the execution of said contract by the Geneva Furniture Mfg. Co.,

And it is hereby further agreed:

(1) That the royalty on each set of fixtures to be paid by the Seng Co. as provided in the contract of December 12th, 1904, shall by thirty cents (30c) on all fixtures or devices of the Seng Automatic type for Sofa Beds, made and sold to the Naperville Lounge Co. under and by virtue of this contract.

(2) That said royalty of thirty cents (30c) shall be equally divided between S. Karpen & Bros. and the (66) Geneva Mfg. Co.

(3) That the Geneva Furniture Mfg. Co., and S. Karpen & Bros., who receive said royalties hereby agree with the Seng Co. and each other that in case the 100,000 sets

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1.

are used within the life of said contract and the total price becomes 80c per set as provided in said contract and save the Seng Co. harmless concerning said rebate.

- 77 (4) That in case the Geneva Furniture Mfg. Co. elects and gives consent to the manufacture and sale of the Geneva Fixture to the parties of the second part named in said contract that the price to be allowed the Seng Co. of the total contract price shall be 50c per set.

(5) That the contract of December 12th, 1904, shall remain the same except as to the amount of royalty to be due and payable in connection with this special contract.

S. KARPEN & BROS., OF ILLINOIS,
By SOLOMON KARPEN,
President.

THE SENG COMPANY,
By FRANK J. SENG,
President.

S. KARPEN & BROS., OF W. VIRGINIA,
By SOLOMON KARPEN,
President.

(Endorsed) Filed June 23, 1913, T. C. MacMillan, Clerk.

- 78 And on to-wit: the fourteenth day of July, come S. Karpen & Bros., a corporation of West Virginia by its solicitors, and filed in the clerk's office of said Court, in said entitled cause its certain Motion to Dismiss Bill of Complaint. Said Motion is in words and figures following to-wit:

79 MOTION TO DISMISS OF W. VA. CORPORATION.

Motion
made
July

IN THE DISTRICT COURT OF THE UNITED STATES,

For the Northern District of Illinois,

Eastern Division.

Geneva Furniture Manufacturing
Company,
Complainant.

vs.

S. Karpen & Bros., a corporation of
West Virginia, S. Karpen & Bros.,
a corporation of Illinois, and Solo-
mon Karpen,

Defendants.

In Equity
No. 73.

Motion To Dismiss Bill of Complaint.

Now comes the defendant S. Karpen & Bros., a corporation organized and existing under and by virtue of the laws of the State of West Virginia, and enters its special appearance herein, solely for the purpose of objecting to the jurisdiction of this Honorable Court over the person of this defendant, and for no other purpose whatsoever, and moves the court to dismiss the Bill of Complaint herein as to it, because it says:—

1.—That this defendant is, and always has been, a corporation organized and existing under and by virtue of the laws of the State of West Virginia, and of no other State, and is, and always has been, a citizen, inhabitant, and resident of said State of West Virginia, and of no other State.

2.—That said complainant, Geneva Furniture Manufacturing Company, is, and always has been, a corporation organized and existing under and by virtue of the laws of the State of New York, and of no other State, and a citizen, inhabitant, and resident of said State of New York, and of no other State.

3. That said Bill of Complaint shows that any devices which are manufactured by said The Seng Company within

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1913. the scope of, or covered by, complainant's patents, are licensed devices; that said bill of complaint fails to charge that the competing devices mentioned therein infringe complainant's patents.

That said Bill of Complaint wholly fails to set forth a cause of action against this defendant for infringement of Letters Patent.

That this defendant objects to, and protests against being sued outside of the residence of either itself or the complainant.

Wherefore, this defendant prays that the said Bill of complaint herein be dismissed as to it, for want of jurisdiction over the person of this defendant.

MAYER, MEYER, AUSTRIAN & PLATT,
DYRENFORTH, LEE, CHRITTON & WILES,
*Solicitors for Defendants, S. Karpen &
Bros. a West Virginia Corporation.*

MAYER, MEYER, AUSTRIAN & PLATT,
DYRENFORTH, LEE, CHRITTON & WILES,
Of Counsel.

(Endorsed) Filed July 14, 1913, T. C. MacMillan, Clerk.

81 And on the same day to-wit: the fourteenth day of July, 1913, come S. Karpen & Bros., a corporation of Illinois and Solomon Karpen by their solicitors and filed in the Clerk's office of said their certain Motion to Dismiss Bill of Complaint. Said Motion is in words and figures following to-wit:

82 MOTION TO DISMISS OF ILLINOIS CORPORATION
AND KARPEN.

Motion
dismissed
July

IN THE DISTRICT COURT OF THE UNITED STATES,

For the Northern District of Illinois,

Eastern Division.

Geneva Furniture Manufacturing
Company,
Complainant,

vs.

S. Karpen & Bros., a corporation of
West Virginia, S. Karpen & Bros.,
a corporation of Illinois, and Solo-
mon Karpen,

Defendants.

In Equity
No. 73.

Motion by S. Karpen & Bros., an Illinois Corporation, and Solomon Karpen, to Dismiss the Bill of Complaint Herein.

Now come these defendants, S. Karpen & Bros., a corporation organized and existing under and by virtue of the laws of the State of Illinois, and Solomon Karpen, and enter their special appearance herein, solely for the purpose of objecting to the jurisdiction of this Honorable Court in the above cause, and for no other purpose whatsoever, and move the Court to dismiss the Bill of Complaint herein, because they say:—

(1) That the complainant, Geneva Furniture Manufacturing Company, is, and always has been, a corporation organized and existing under and by virtue of the laws of the State of New York, and of no other State, and a citizen, inhabitant, and resident of said State of New York, and of no other State.

(2) That this defendant, S. Karpen & Bros., is, and always has been, a corporation organized and existing under and by virtue of the laws of the State of Illinois, and of
83 no other State, and a citizen, inhabitant, and resident of said State, and of no other State.

(3) That this defendant Solomon Karpen was at the time

52 *Motion to Dismiss of Ill. Corporation and Karpen.*

dis-
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1913. of the commencement of this suit, and continuously since has been, and now is, a citizen and inhabitant of the State of Illinois, and a resident of the City of Chicago, in said State.

(4) That one party defendant to this suit is S. Karpen & Bros., a corporation of West Virginia, which is, and always has been, a corporation organized and existing under and by virtue of the laws of the State of West Virginia, and of no other State, and a citizen, inhabitant, and resident of said State of West Virginia, and of no other State.

(5) That the Bill of Complaint herein sets forth no charge of infringement of Letters Patent owned by complainant, and that said defendant S. Karpen & Bros., a West Virginia corporation, has refused to submit itself to the jurisdiction of this court, and has filed herein its special appearance, and motion to dismiss said Bill of Complaint as to it for want of jurisdiction over its person; and that said S. Karpen & Bros., a West Virginia corporation, is a necessary and indispensable party to this cause; and that said cause can not proceed in the absence of said West Virginia corporation.

(6) That, as appears from the Bill of Complaint herein, and the exhibits thereto, the Binghamton Lounge Company is a necessary and indispensable party to said cause; and that said cause can not be proceeded with in the absence of said Binghamton Lounge Company.

84 That said Binghamton Lounge Company is, and always has been, a corporation organized and existing under and by virtue of the laws of the State of New York, and of no other state, and a citizen, inhabitant and resident of said State of New York, and of no other state.

Wherefore, these defendants pray that the said Bill of Complaint herein be dismissed for want of jurisdiction.

MAYER, MEYER, AUSTRIAN & PLATT,
DYRENFORTH, LEE, CHRITTON & WILES,
*Solicitors for Defendants, Solomon
Karpen, and S. Karpen & Bros., a
corporation organized and existing
under the laws of the State of Illi-
nois.*

MAYER, MEYER, AUSTRIAN & PLATT,
DYRENFORTH, LEE, CHRITTON & WILES,
Of Counsel.

(Endorsed) Filed July 14, 1913, T. C. MacMillan, Clerk.

85 And on to-wit: the third day of November, being the first day of the November, 1913, term of said Court, in the record of proceedings thereof in said entitled cause appears before the Hon. George A. Carpenter, Judge of said Court, the following entry to-wit:

<p>Geneva Furniture Manufacturing Company, vs. S. Karpen and Bros., of West Vir- ginia, S. Karpen & Bros., of Illi- nois and Solomon Karpen.</p>	}	73.
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This cause coming on this day to be heard upon the motions on behalf of the defendants heretofore filed herein to dismiss, and the Court having heard the arguments of counsel representing all the parties hereto, after due deliberation thereof, does hereby order that said motions be, and the same hereby are granted and allowed, and it is further hereby ordered, adjudged and decreed that the above cause be, and the same hereby is dismissed for want of jurisdiction at complainant's costs, and that an execution issue out of the office of the Clerk of this Court for the collection of the same.

86 And on to-wit: the twenty-third day of December, 1913, come the complainant in said entitled cause by its solicitors and filed in the Clerk's office of said Court, its certain Petition for Appeal and Assignment of Errors in words and figures following to-wit:

p- 87

13.

PETITION FOR APPEAL.

IN THE DISTRICT COURT OF THE UNITED STATES,

For the Northern District of Illinois,

Eastern Division.

Geneva Furniture Manufacturing
Company,
Complainant,

vs.

S. Karpen & Bros., a corporation of
West Virginia, S. Karpen & Bros.,
a corporation of Illinois, and Solo-
mon Karpen,

Defendants.

In Equity
No. 73.

Petition for Appeal.

Now, to-wit this 23rd day of December, 1913, comes Geneva Furniture Manufacturing Company, and considering itself aggrieved by the order of dismissal of the District Court of the United States for the Northern District of Illinois, Eastern Division, in the above entitled cause; entered on or about the third day of November, 1913, does hereby appeal from said order to the United States Circuit Court of Appeals for the Seventh Circuit, and prays that this appeal may be allowed and citations issued directed to the above named defendants commanding them to appear before the United States Circuit Court of Appeals for the Seventh Circuit to do and to receive what may appertain to justice to be done in the premises; that a transcript of the record and proceedings duly authenticated, may be sent to the United States Circuit Court of Appeals for the Seventh Circuit, and that the decree of the said District Court may be reversed, and such decree made as to said United States Circuit Court of Appeals shall seem meet and just.

BANNING & BANNING,
Solicitors for Complainant.

ASSIGNMENT OF ERRORS.

Assign
error
Dec

IN THE DISTRICT COURT OF THE UNITED STATES,

For the Northern District of Illinois,

Eastern Division.

<p>Geneva Furniture Manufacturing Company, <i>Complainant,</i></p> <p style="text-align: center;"><i>vs.</i></p> <p>S. Karpen & Bros., a corporation of West Virginia, S. Karpen & Bros., a corporation of Illinois, and Solo- mon Karpen,</p> <p style="text-align: right;"><i>Defendants.</i></p>	}	<p>In Equity No. 73.</p>
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Assignment of Errors.

Now, to-wit, this 23rd day of December, 1913, comes Geneva Furniture Manufacturing Company, complainant in above entitled cause, and files with its petition for appeal the following assignment of errors:

1. That the court erred in dismissing complainant's bill of complaint for want of jurisdiction and in not retaining jurisdiction of the subject matter thereof.

2. That the court erred in holding that the facts set forth and alleged in said bill of complaint failed to make out a case of contributory infringement under the Patent Laws of the United States.

3. That the court erred in holding that the facts set forth in the motion to dismiss filed by S. Karpen & Bros., an Illinois corporation, and Solomon Karpen concerning the allegations contained in the complainant's bill of complaint and concerning the Binghamton Lounge Company as a necessary and indispensable party are true and correct and in not holding that the facts and legal conclusions set forth in said motion are erroneous.

4. That the court erred in holding that the facts alleged in the motion to dismiss filed on behalf of S. Karpen & Bros., a West Virginia corporation as to the allegations contained in the bill of complaint are true and correct and in not hold-

ing that the facts and legal conclusions set forth in said motion are erroneous.

5. That the court erred in assessing costs against the complainant.

Wherefore this appellant, Geneva Furniture Manufacturing Company, prays the United States Circuit Court of Appeals for the Seventh Circuit to reverse the aforesaid decree of the District Court of the United States for the Northern District of Illinois, Eastern Division, and to remand this cause with directions to said District Court to vacate the order of dismissal and to assume jurisdiction of the subject matter of complainant's bill.

BANNING & BANNING,
Solicitors for Complainant.

(Endorsed) Filed Dec., 23, 1913, T. C. MacMillan, Clerk.

91 And on the same day to-wit: the twenty-third day of December, being one of the days of the December, 1913, Term of said Court, in the record of proceedings thereof in said entitled cause appears before the Hon. George A. Carpenter, Judge of said Court, the following entry to-wit:

92 IN THE DISTRICT COURT OF THE UNITED STATES,
For the Northern District of Illinois,
Eastern Division.

Geneva Furniture Manufacturing Company, <i>Complainant,</i> <i>vs.</i> S. Karpen & Bros., a corporation of West Virginia, S. Karpen & Bros., a corporation of Illinois, and Solomon Karpen, <i>Defendants.</i>	}	In Equity No. 73.
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ORDER ALLOWING APPEAL.

Now come the parties by their solicitors, and the complainant presents its petition for appeal and assignment of

errors, and moves the court for the allowance of an appeal to the Circuit Court of Appeals for the Seventh Circuit from the order of dismissal of the District Court entered on or about the third day of November, 1913. It is thereupon ordered by the court that said appeal be and the sum is hereby allowed upon the complainant filing an appeal bond in the sum of Two Hundred Fifty Dollars (\$250.00) with security to be approved by the court.

Ord.
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93 And on to-wit: the twenty-fourth day of December, 1913, come the complainant in said entitled cause and filed in the Clerk's office of said Court, its certain Appeal Bond in the words and figures following to-wit:

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APPEAL BOND.

IN THE DISTRICT COURT OF THE UNITED STATES,
For the Northern District of Illinois,
Eastern Division.

Geneva Furniture Manufacturing
Company,

Complainant,

vs.

S. Karpen & Bros., a corporation of
West Virginia, S. Karpen & Bros.,
a corporation of Illinois, and Sol-
omon Karpen,

Defendants.

In Equity
No. 73.

Appeal Bond.

Know all men by these presents, that we, Geneva Furniture Manufacturing Company, as principal, and United States Fidelity and Guaranty Company, of Baltimore, as surety, are held and firmly bound unto S. Karpen & Bros., an Illinois corporation; S. Karpen & Bros., a West Virginia corporation; and Solomon Karpen, their agents, attorneys, successors, assigns, or legal representatives, in the full and just sum of Two Hundred Fifty Dollars (\$250.00), to which pay-

Appeal Bond.

ment well and truly to be made, we bind ourselves, our successors, and assigns, jointly and severally and firmly by these presents. Sealed with our seals and dated this 23rd day of December, 1913.

Whereas lately at a session of the District Court of the United States for the Northern District of Illinois, Eastern Division, in a suit pending in said court between Geneva Furniture Manufacturing Company, complainant, and S. 95 Karpen & Bros., a corporation of West Virginia, S. Karpen & Bros., a corporation of Illinois, and Solomon Karpen, defendants, an order of dismissal was entered in said cause on motion of the defendants, and the said Geneva Furniture Manufacturing Company having obtained from said court an order allowing an appeal from said order of dismissal to the United States Circuit Court of Appeals for the Seventh Circuit, and having filed a copy thereof in the Clerk's office for said court to reverse the said order and citations directed to the said S. Karpen & Bros., a corporation of Illinois, S. Karpen & Bros., a corporation of West Virginia, and Solomon Karpen, citing and summoning them to appear in the United States Circuit Court of Appeals for the Seventh Circuit.

Now the condition of the above obligation is such that if the Geneva Furniture Manufacturing Company shall prosecute its appeal to effect and answer all damages and costs if it fail to make its plea good, then the above obligation is void, otherwise to remain in full force and effect.

In Testimony Whereof, the parties hereto have executed this instrument and caused the same to be executed by the proper officers and their respective corporate seals to be affixed hereto.

GENEVA FURNITURE MANUFACTURING COMPANY,

By GEO. M. B. HAWLEY,

(Seal)

Secy. & Treas.

UNITED STATES FIDELITY & GUARANTY Co.,

By JOHN I. SCULL,

(Seal)

Atty. in Fact.

Approved:

CARPENTER, *Judge*, 24. Dec. 1913.

(Endorsed) Filed Dec. 24, 1913, T. C. MacMillan, Clerk.

96

PRAECEPTA FOR RECORD.

DISTRICT COURT OF THE UNITED STATES,
Northern District of Illinois,
Eastern Division.

Geneva Furniture Manufacturing
Company,

Complainant,

vs.

S. Karpen & Bros., a corporation of
West Virginia, S. Karpen & Bros.,
a corporation of Illinois, and Sol-
omon Karpen, President of said
corporation,

Defendants.

In Equity
No. 73.

Hon. Thomas C. MacMillan,
Clerk United States District Court,
Chicago, Illinois,

Dear Sir:—

In preparing the transcript for the Court of Appeals in
the above entitled cause, you will please include the follow-
ing papers and documents, to-wit:

- 97 1. Bill of Complaint.
2. Special Appearance, if any.
3. Motion to Dismiss, filed on behalf of S. Karpen & Bros.
an Illinois corporation and Solomon Karpen.
4. Motion to dismiss, filed on behalf of S. Karpen & Bros.
a West Virginia corporation.
5. Opinion of Court, if any.
6. Decree.
7. All papers relating to the Appeal, including the Peti-
tion for Appeal, Assignment of Errors, Appeal bond and
Order allowing the Appeal, together with other Court Or-
ders, if any, relating to the Appeal.

BANNING & BANNING,
Solicitors for Complainant.

Approved: This 8th day of January, 1914.

DYRENFORTH, LEE, CHRITTON & WILES,
Solicitors for Defendants.

(Endorsed) Filed January 8, 1914, T. C. MacMillan, Clerk.

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Certificate of Clerk.

of 98 Northern District of Illinois }
Eastern Division. } ss.

I, T. C. MacMillan, Clerk of the District Court of the United States for the Northern District of Illinois, do hereby certify the above and foregoing to be a true and complete transcript of the proceedings had of record in said Court, made in accordance with Praeipie filed in the cause entitled Geneva Furniture Manufacturing Company, Complainant vs. S. Karpen & Bros. a corporation of West Virginia, S. Karpen & Bros., a corporation of Illinois and Solomon Karpen, Defendants, as the same appear from the original Records and Files thereof, now remaining in my custody and control.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court at my office, in the City of Chicago, in said District, this ninth day of January, 1914.

T. C. MACMILLAN, *Clerk.*

By JOHN H. R. JAMAR,
Deputy Clerk.

(Seal)

And on to-wit: the twenty-fourth day of April, 1914, there was filed in the clerk's office of said court in said entitled cause a certain certified copy of the Order entered of record in the United States Court of Appeals for the Seventh Circuit on the fourteenth day of April, 1914. Said certified copy of Order is in words and figures following to-wit:

TUESDAY, April 14, 1914.

Court met pursuant to adjournment and was opened by proclamation of crier.

Present:

Hon. Francis E. Baker, Circuit Judge, presiding.

Hon. William H. Seaman, Circuit Judge.

Hon. Julian W. Mack, Circuit Judge.

Edward M. Holloway, Clerk.

Luman T. Hoy, Marshal.

2080.

GENEVA FURNITURE MANUFACTURING COMPANY
vs.

S. KARPEN & BROS. et al.

Appeal from the District Court of the United States for the Northern District of Illinois, Eastern Division.

Now this day come the parties by their counsel, and a motion to dismiss this appeal now comes on to be heard on oral argument by Mr. Isaac H. Mayer, counsel for Appellees, in support of said motion, and by Mr. Thomas A. Banning, counsel for Appellant, in opposition thereto. On consideration whereof, it is now here ordered, adjudged and decreed by this Court that this appeal be, and the same is hereby dismissed with costs.

United States Circuit Court of Appeals for the Seventh Circuit.

I, Edward M. Holloway, Clerk of the United States Circuit Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing typewritten page contains a true copy of the Order entered herein on the fourteenth day of April, 1914, in the case of Geneva Furniture Manufacturing Company vs. S. Karpen & Bros., et al., No. 2080, October Term, 1913, as the same remains upon the files and records of the United States Circuit Court of Appeals for the Seventh Circuit.

In testimony whereof I hereunto subscribe my name and affix the seal of said United States Circuit Court of Appeals for the Seventh Circuit, at the City of Chicago, this twentieth day of April A. D. 1914.

[SEAL.]

EDWARD M. HOLLOWAY,
*Clerk of the United States Circuit Court
of Appeals for the Seventh Circuit.*

(Endorsed:) Filed April 24, 1914. T. C. MacMillan, Clerk.

And on to-wit: the fourteenth day of May, 1914, in the record of proceedings thereof in said entitled cause before the Hon. George A. Carpenter, Judge of said Court appears the following entry to-wit:

73.

GENEVA FURNITURE MANUFACTURING COMPANY

VS.

S. KARPEN & BROS. et al.

On motion of the Complainant for leave to file the amended order entered in the United States Circuit Court of Appeals for the Seventh Circuit, dismissing the appeal heretofore taken to said Court, and to file the mandate of said Court, both to be filed nunc pro tunc as of April 24, 1914,

It is ordered by the Court that leave be given to file said papers and that they be filed nunc pro tunc as of April 24, 1914.

And on to-wit: the fourteenth day of May, there was filed in the Clerk's office of said Court in said entitled cause nunc pro tunc as of April 24, 1914, a certain certified copy of an order of the United States Circuit Court of Appeals for the Seventh Circuit. Said Certified Copy of Order is in the words and figures following to-wit:

WEDNESDAY, May 13, 1914.

Court met pursuant to adjournment and was opened by proclamation of crier.

Present:

Hon. Francis E. Baker, Circuit Judge, presiding.

Hon. William H. Seaman, Circuit Judge.

Hon. Julian W. Mack, Circuit Judge.

Edward M. Holloway, Clerk.

Luman T. Hoy, Marshal.

2080.

GENEVA FURNITURE MANUFACTURING COMPANY

VS.

S. KARPEN & BROS. et al.

Appeal from the District Court of the United States for the Northern District of Illinois, Eastern Division.

On motion of counsel for appellant, it is ordered by the Court that the order dismissing the appeal herein entered April 14, 1914, be, and the same is hereby amended so as to read as follows:

Now this day come the parties by their counsel and a motion to dismiss this appeal now comes on to be heard on oral argument by Mr. Isaac H. Mayer, counsel for Appellees, in support of said motion, and by Mr. Thomas A. Banning, counsel for Appellant, in

opposition thereto. On consideration whereof, it is now here ordered, adjudged and decreed by this Court that this appeal be, and the same is hereby dismissed with costs; for the reason that such appeal should have been taken, under Section 238 of the New Federal Judicial Code, to the Supreme Court of the United States, instead of to this Court.

It is further Ordered that this amendatory order be entered nunc pro tunc as of April 14, 1914.

It is further ordered, on motion of Appellant, that a Mandate to the District Court be issued nunc pro tunc as of April 14, 1914.

United States Circuit Court of Appeals for the Seventh Circuit.

I, Edward M. Holloway, Clerk of the United States Circuit Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing typewritten page contains a true copy of the Order entered herein on May 13, 1914, nunc pro tunc as of April 14, 1914, in the case of Geneva Furniture Manufacturing Company vs. S. Karpen Bros., et al. No. 2080, October Term, 1913, as the same remains upon the files and records of the United States Circuit Court of Appeals for the Seventh Circuit.

In testimony whereof, I hereunto subscribe my name and affix the seal of said United States Circuit Court of Appeals for the Seventh Circuit, at the City of Chicago, this thirteenth day of May, A. D. 1914.

[SEAL.]

EDWARD M. HOLLOWAY,
*Clerk of the United States Circuit Court
of Appeals for the Seventh Circuit.*

(Endorsed:) Filed May 14, 1914, Nunc Pro Tunc as of April 24, 1914. T. C. MacMillan, Clerk.

And on to-wit: the fourteenth day of May, 1914, there was filed in the Clerk's office of said Court in said entitled cause nunc pro tunc as of April twenty-fourth 1914, a certain Mandate from the United States Circuit Court of Appeals. Said Mandate is in the words and figures following to-wit:

Mandate.

UNITED STATES OF AMERICA, ss:

[SEAL.]

The President of the United States of America to the Honorable the Judges of the District Court of the United States for the Northern District of Illinois, Eastern Division, Greeting:

Whereas, lately in the District Court of the United States for the Northern District of Illinois, before you, or some of you, in a cause between Geneva Furniture Manufacturing Company and S. Karpen & Bros., et al., the order or decree entered on the third day of November, 1913, is in the words and figures following, to-wit:

This cause coming on this day to be heard upon the motions on behalf of the defendants heretofore filed herein to dismiss, and the Court having heard the arguments of counsel representing all the parties hereto, after due deliberation thereof, does hereby order that said motions be, and the same are granted and allowed, and it is further hereby ordered, adjudged and decreed that the above cause be, and the same hereby is dismissed for want of jurisdiction at complainant's costs, and that an execution issue out of the office of the Clerk of this Court for the collection of the same.

as by the inspection of the transcript of the record of the said District Court, which was brought into the United States Circuit Court of Appeals for the Seventh Circuit by virtue of an Appeal agreeably to the Act of Congress, in such case made and provided fully and at large appears.

And whereas, in the term of October, in the year of our Lord one thousand nine hundred and thirteen the said cause came on to be heard before the said United States Circuit Court of Appeals for the Seventh Circuit, on the said transcript of record, and was argued by counsel:

On Consideration Whereof, it is now here ordered, adjudged and decreed by this Court that this appeal be, and the same is hereby dismissed with costs; for the reason that such appeal should have been taken, under Section 238 of the New Federal Judicial Code, to the Supreme Court of the United States, instead of to this Court.

It is further Ordered that this amendatory order be entered nunc pro tunc as of April 14, 1914.

It is further ordered, on motion of Appellant, that a Mandate to the District Court be issued nunc pro tunc as of April 14, 1914.

Wednesday, May 13, 1914.

You, therefore, are hereby commanded that such further proceedings be had in said cause, as according to right and justice, and the laws of the United States, ought to be had, the said appeal notwithstanding.

Witness the Honorable Edward D. White, Chief Justice of the United States, the thirteenth day of May, in the year of our Lord one thousand nine hundred and fourteen, nunc pro tunc as of April 14, 1914.

EDWARD M. HOLLOWAY,
*Clerk of the United States Circuit Court
of Appeals for the Seventh Circuit.*

(Endorsed:) Filed May 14, 1914, nunc pro tunc as of April 24, 1914. T. C. MacMillan, Clerk.

And on to-wit: the twenty-fourth day of April, 1914, comes the complainant in said entitled cause by its solicitors and filed in the Clerk's office of said Court its certain Petition for Appeal in words and figures following to-wit:

Petition for Appeal.

In the District Court of the United States for the Northern District of Illinois, Eastern Division.

In Equity. No. 73.

GENEVA FURNITURE MANUFACTURING COMPANY, Complainant,
vs.

S. KARPEN & BROS., a Corporation of West Virginia; S. KARPEN & Bros., a Corporation of Illinois, and Solomon Karpen, Defendants.

Petition for Appeal.

Now, to-wit: this 24th day of April, 1914, comes Geneva Furniture Manufacturing Company, and considering itself aggrieved by the Order of Dismissal of the District Court of the United States for the Northern District of Illinois, Eastern Division, in the above entitled cause, entered on or about the 3rd day of November, 1913, and having had its appeal to the United States Circuit Court of Appeals for the Seventh Circuit dismissed, on, to-wit, April 14, 1914, on the ground that such Court had no jurisdiction to entertain the appeal, for the reason that the same should have been taken direct to the Supreme Court of the United States, does hereby appeal from said Order of Dismissal of the District Court to the Supreme Court of the United States, and prays that this its appeal may be allowed, and citations issued directed to the above named defendants, commanding them to appear before the Supreme Court of the United States, to do and to receive what may appertain to justice to be done in the premises; that a transcript of the record, proceedings and papers upon which said Order of Dismissal was entered duly authenticated, shall be sent to the Supreme Court of the United States; and that the decree of dismissal of the said District Court may be reversed and such decree made as to said Supreme Court shall seem meet and just.

BANNING & BANNING,
Solicitors for Complainant.

(Endorsed:) Filed Apr. 24, 1914. T. C. MacMillan, Clerk.

And on the same day to-wit: the twenty-fourth day of April, 1914, comes the complainant in said entitled cause by its solicitors and filed in the Clerk's office of said Court, its certain assignment of errors in words and figures following to-wit:

Assignment of Errors.

In the District Court of the United States for the Northern District of Illinois, Eastern Division.

In Equity. No. 73.

GENEVA FURNITURE MANUFACTURING COMPANY, Complainant,
vs.

S. KARPEN & BROS., a Corporation of West Virginia; S. KARPEN & Bros., a Corporation of Illinois, and Solomon Karpen, Defendants.

Assignment of Errors.

Now, to-wit: this 24th day of April, 1914, comes Geneva Furniture Manufacturing Company, complainant in the above entitled cause, and files with its Petition for Appeal the following Assignment of Errors:

1. That the Court erred in dismissing complainant's bill of complaint for want of jurisdiction over the subject matter and person of the defendants and each of them, and in not retaining jurisdiction of the same.

2. That the Court erred in not finding that the facts set forth and alleged in said bill of complaint failed to make out a case of infringement, direct or contributory, under the Patent Laws of the United States.

3. That the Court erred in not holding that the facts alleged in the motion to dismiss, filed on behalf of S. Karpen & Bros., a West Virginia corporation, were insufficient to justify the dismissal asked, under the allegations of the bill, and in not holding that the facts and legal conclusions set forth in said motion were erroneous.

4. That the Court erred in not holding that the facts alleged in the motion to dismiss, filed by S. Karpen & Bros., an Illinois corporation, and Solomon Karpen, to the effect that the allegations contained in the bill of complaint showed that the Binghamton Lounge Company was a necessary and indispensable party, were insufficient to justify such holding and the dismissal asked, under the allegations of the bill, and in not holding that the facts and legal conclusions set forth in said motion were erroneous.

5. That the Court erred in assessing costs against the complainant.

Wherefore this complainant, Geneva Furniture Manufacturing Company, prays the Supreme Court of the United States to reverse the aforesaid decree of the District Court of the United States for the Northern District of Illinois, Eastern Division, and to remand this cause with directions to said Circuit Court to vacate the Order of Dismissal and to assume jurisdiction of the subject matter of complainant's bill, and the person of the defendants.

BANNING & BANNING,
Solicitors for Complainant.

(Endorsed:) Filed April 24, 1914. T. C. MacMillan, Clerk.

And on the same day to-wit: the twenty-fourth day of April, 1914, in the record of proceedings thereof in said entitled cause before the Hon. George A. Carpenter, Judge of said Court, appears the following entry to-wit:

In Equity. 73.

GENEVA FURNITURE MANUFACTURING COMPANY

vs.

S. KARPEN & BROS., a Corporation of West Virginia; S. KARPEN & BROS., a Corporation of Illinois, and SOLOMON KARPEN.

Now comes the complainant by its solicitors, and presents its Petition for Appeal and Assignment of Errors, and moves the Court for the allowance of an appeal to the Supreme Court of the United States from the order of dismissal of the District Court, entered on, to-wit, the 3rd day of November, 1913, and for a Certificate from the Court certifying the question of jurisdiction alone to the Supreme Court for decision.

It is thereupon Ordered by the Court that said appeal be and the same is hereby allowed, upon the complainant filing an Appeal Bond in the sum of five hundred dollars (\$500.00), with security to be approved by the Court.

Enter:

CARPENTER,
District Judge.

And on to-wit: the fourteenth day of May, 1914, there was filed in the clerk's office of said Court in said entitled cause a certain appeal bond in the words and figures following to-wit:

Appeal Bond.

In the District Court of the United States for the Northern District of Illinois, Eastern Division.

In Equity. No. 73.

GENEVA FURNITURE MANUFACTURING COMPANY, Complainant,

vs.

S. KARPEN & BROS., a Corporation of West Virginia; S. KARPEN & BROS., a Corporation of Illinois, and Solomon Karpen, Defendants.

Appeal Bond.

Know all men by these presents, that we, Geneva Furniture Manufacturing Company, as principal, and United States Fidelity and Guaranty Company of Baltimore, as surety, are held and firmly bound unto S. Karpen & Bros., a West Virginia corporation; S. Karpen & Bros. an Illinois corporation, and Solomon Karpen, their agents, attorneys, successors, assigns, or legal representatives, in the

full and just sum of five hundred dollars (\$500.00) to which payment, well and truly to be made, we bind ourselves, our successors and assigns, jointly and severally and firmly by these presents. Sealed with our seals and dated this 28th day of April, 1914.

Whereas lately, at a session of the District Court of the United States for the Northern District of Illinois, Eastern Division, in a suit pending in said Court between the Geneva Furniture Manufacturing Company and S. Karpen & Bros, a corporation of West Virginia, S. Karpen & Bros., a corporation of Illinois, and Solomon Karpen, defendants, an order of dismissal was entered in said cause on motion of the defendants, and the said Geneva Furniture Manufacturing Company having obtained from said Court an order allowing an appeal from said order of dismissal to the Supreme Court of the United States:

Now the condition of the above obligation is such that if the Geneva Furniture Manufacturing Company shall prosecute its appeal to effect and answer all damages and costs if it fail to make its plea good, then the above obligation is void, otherwise to remain in full force and effect.

In testimony whereof, the parties hereto have executed this instrument and caused the same to be executed by the proper officers, and their respective corporate seals to be affixed hereto.

[SEAL.]

GENEVA FURNITURE MANUFACTURING COMPANY,

By G. M. B. HAWLEY,

Secretary & Treasurer.

[SEAL.]

UNITED STATES FIDELITY AND GUARANTY COMPANY,

By JOHN I. SCULL, *Attorney in Fact.*

Approved:

CARPENTER, *Judge.*

14 May, 1914.

(Endorsed:) Filed May 14, 1914. T. C. MacMillan, Clerk.

And on the same day to-wit: the twenty-fourth day of April, 1914, there was filed in the Clerk's office of said Court in said entitled cause a certain Certificate of Question of Jurisdiction in words and figures following to-wit:

Certificate of Question of Jurisdiction.

In the District Court of the United States for the Northern District of Illinois, Eastern Division.

In Equity. No. 73.

GENEVA FURNITURE MANUFACTURING COMPANY, Complainant,
vs.

S. KARPEN & BROS., a Corporation of West Virginia; S. KARPEN & Bros., a Corporation of Illinois, and Solomon Karpen, Defendants.

Certificate of Question of Jurisdiction.

It being made to appear to the Court that the complainant, Geneva Furniture Manufacturing Company, has this day prayed an appeal from the order of dismissal of the District Court of the United States for the Northern District of Illinois, Eastern Division, in the above entitled cause, entered on or about the 3rd day of November, 1913, to the Supreme Court of the United States, and filed its Assignment of Errors, and such appeal having been allowed upon the filing of an Appeal Bond in the sum of five hundred dollars (\$500.00), with security to be approved by the Court:

Now, therefore, I, the undersigned, Judge of the District Court of the United States for the Northern District of Illinois, Eastern Division, do hereby certify that in sustaining the motions of the defendants to dismiss the bill of complaint herein, and in ordering said bill to be dismissed, and in taxing the costs against the complainant, the sole question considered and determined by the Court was the question of jurisdiction; that the appearance of the said defendants were special and not general appearances, made for the purpose of objecting to the jurisdiction of the Court over the persons of said defendants and for no other purpose whatsoever; and that the Court had no jurisdiction over the persons of the defendants to hear and determine the matters and things alleged in said bill of complaint.

This certificate is made conformable to the Act of Congress of March 3, 1891, Chapter 317, Section 238 of the New Revised Judicial Code, and is hereby made a part of the proceedings ordered to be transmitted to the Supreme Court with said appeal.

District Judge.

(Endorsed:) Filed April 24, 1914. T. C. MacMillan, Clerk.

NORTHERN DISTRICT OF ILLINOIS,
Eastern Division, ss:

I, T. C. MacMillan, Clerk of the District Court of the United States for the Northern District of Illinois, do hereby certify the above and foregoing to be a true and complete transcript of all the proceedings had of record in said Court, in the cause entitled Geneva Furniture Manufacturing Company, vs. S. Karpen & Bros., a Corporation of Illinois, S. Karpen & Bros., a Corporation of West Virginia, and Solomon Karpen, as the same appears from the original Records and Files thereof, now remaining in my custody and control.

In testimony Whereof, I have hereunto set my hand and affixed the seal of said Court at my office, in the City of Chicago, in said District, this twenty-first day of May, 1914.

[Seal of Dist. Court U. S., Northern Dist. Illinois, 1855.]

T. C. MacMILLAN, *Clerk*,
By JOHN H. LAMAR,
Deputy Clerk.

Endorsed on cover: File No. 24,235. N. Illinois D. C. U. S. Term No. 496. Geneva Furniture Manufacturing Company, appellant, vs. S. Karpen & Bros., a West Virginia corporation; S. Karpen & Bros, an Illinois corporation, and Solomon Karpen. Filed May 23d, 1914. File No. 24,235.

IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, A. D. 1914.

No. 496.

GENEVA FURNITURE MANUFACTURING CO.,
Appellant.

VS.

S. KARPEN & BROS., A WEST VIRGINIA COR-
PORATION, S. KARPEN & BROS., AN ILLINOIS
CORPORATION, AND SOLOMON KARPEN,
Appellees.

} Appeal from the District Court
of the United States for the
Northern District of Illinois,
Eastern Division.

MOTION TO ADVANCE.

Now comes the appellant, Geneva Furniture Manufacturing Co., and moves the court to advance this cause for hearing at such early date certain, as may be agreeable to the court.

STATEMENT OF FACTS.

This is an appeal taken from the order of Judge Carpenter entered on or about the third day of November, 1913, dismissing the complainant's bill for want of jurisdiction, as appears on page 53 of the Record, wherein the order recites that the cause is "dismissed for want of jurisdiction."

The bill filed was drawn to present a cause of action arising under the patent laws of the United States, but the motion to dismiss filed on behalf of the defendants, and appearing on page 51, alleges that the "bill of complaint herein sets forth no charge of infringement of letters patent owned by complainant." This issue being decided by Judge Carpenter adversely to the complainant, the bill was dismissed solely for want of jurisdiction.

It further appears that the appellant took an appeal from Judge Carpenter's order of dismissal to the Circuit Court of Appeals for the Seventh Circuit, which appeal was dismissed on or about April 14, 1914, the amended order of dismissal appearing on page 62 of the Record, and containing the following statements:

"In consideration whereof it is now hereby ordered, adjudged and decreed by this court that this appeal be and the same is hereby dismissed with costs; for the reason that such appeal should have been taken under Section 238 of the New Federal Judicial Code to the Supreme Court of the United States, instead of to this court."

It thus appearing that the issue herein presented is solely that of jurisdiction and that the appeal to this court has been taken under provisions of Section 238 of the New Judicial Code, this motion to advance is made in conformity with the provision of Rule 32 of the Rules of the Supreme Court.

Due notice of this motion has been served on counsel for appellees in conformity with the provisions of Rule 6.

THOMAS A. BANNING,
SAMUEL WALKER BANNING,
For Appellant.



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SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, A. D. 1914.

No. 496.

GENEVA FURNITURE MANUFACTURING CO.,

Appellant,

vs.

S. KARPEN & BROS., A WEST VIRGINIA CORPORATION, S. KARPEN & BROS., AN ILLINOIS CORPORATION, AND SOLOMON KARPEN,

Appellees.

} Appeal from the District Court
of the United States for the
Northern District of Illinois.

BRIEF AND ARGUMENT FOR APPELLANT.

May it please the Court:

This is a bill in equity filed in the District Court of the United States for the Northern District of Illinois, June 23, 1913. The bill declared on two principal causes of action—for the infringement of letters patent and for the specific performance of a contract to assign letters patent.

Statement of Facts.

The bill alleged that the West Virginia corporation had a regular and established place of business in the City of Chicago, and State of Illinois, and had committed acts of infringement at Chicago, Illinois, in the Northern District

of Illinois, where all of the other defendants are citizens and inhabitants. In short, the statutory requirements contained in Section 48 of the New Federal Judicial Code were alleged as will appear in the opening paragraph at the top of page 3 and in the eleventh paragraph at the top of page 8.

The defendants entered special appearances and filed motions to dismiss the bill of complaint for want of jurisdiction in the court, as will appear at pages 49 and 51. The motions were argued before his Honor, Judge Carpenter, holding court, and on November, 3, 1913, the court entered an order, appearing at page 53, reciting that the court had heard the arguments of counsel and "does hereby order that said motions be, and the same hereby are granted and allowed, and it is further hereby ordered, adjudged and decreed that the above cause be, and the same hereby is, dismissed for want of jurisdiction at complainant's costs."

Thereupon the complainant filed its assignment of errors, bond, and petition for appeal to the United States Circuit Court of Appeals for the Seventh Circuit, as will appear beginning at page 54.

Afterwards on April 14, 1914, on defendants' motion, as will appear at page 61, the Circuit Court of Appeals for the Seventh Circuit entered an order dismissing the appeal but without specifying the grounds of the dismissal. Afterwards, and on April 24, 1914, the Court of Appeals entered an amendatory order of dismissal, *nunc pro tunc*, as will appear from page 63, reciting "that this appeal be and the same is hereby dismissed with costs; for the reason that such appeal should have been taken, under Section 238 of the New Federal Judicial Code, to the Supreme Court of the United States, instead of to this court." The court

issued a mandate appearing at page 63, for the information of the court below reciting the dismissal and the cause for the same as already explained.

Thereupon, as will appear from page 65, the complainant filed a petition, an assignment of errors and bond appealing from the order of dismissal of the District Court directly to this court. The complainant also at the same time presented a Certificate of Question of Jurisdiction, but as the term had expired, his Honor, Judge Carpenter, considered that he had no power to sign the certificate, and said certificate appearing at page 69 was inadvertently included in the transcript. As it was unsigned, no importance will, therefore, be attached to such certificate.

Assignment of Errors.

The assignment of errors appearing at page 66 is directed to the points that the court erred in dismissing the complainant's bill of complaint "for want of jurisdiction over the subject-matter and person of the defendants and each of them, and in not retaining jurisdiction of the same"; that the court erred "in not finding that the facts set forth and alleged in said bill of complaint failed (were sufficient) to make out a case of infringement, direct or contributory under the Patent laws of the United States"; that the court erred in not holding "that the facts alleged in the motion to dismiss, filed on behalf of S. Karpen & Bros., a West Virginia corporation, were insufficient to justify the dismissal asked, under the allegations of the bill, and in not holding that the facts and legal conclusions set forth in said motion were erroneous"; and that the court erred in not holding "that the facts alleged in the motion to dismiss, filed by S. Karpen & Bros., an Illinois corporation, and Solomon Karpen, to the effect that the allegations con-

tained in the bill of complaint showed that the Binghampton Lounge Company was a necessary and indispensable party, were insufficient to justify such holding and the dismissal asked, under the allegations of the bill, and in not holding that the facts and legal conclusions set forth in said motion were erroneous."

Where the Order of Dismissal on Its Face Shows that the Dismissal Was for Want of Jurisdiction No Formal Certificate to that Effect is Necessary.

As already said, Judge Carpenter declined to sign a certificate of the question of jurisdiction on the ground that the term had passed at which the order was entered. This court, however, has repeatedly held that a certificate is unnecessary where the order itself sufficiently shows the ground of dismissal. For instance, this court in *United States v. Larkin*, 208 U. S., at page 338, said:

"Ordinarily a formal certificate is essential, and must be made at the same term as that at which the judgment is rendered. *Maynard v. Hecht*, 151 U. S. 324; *Colvin v. Jacksonville*, 158 U. S. 456. But where the records show that the only matter tried and decided in the Circuit Court was one of jurisdiction, and the petition upon which the writ of error was allowed asked only for a review of the judgment that the court had no jurisdiction of the action, the question of jurisdiction alone is sufficiently certified. *Shields v. Coleman*, 157 U. S. 168; *Interior Construction & Improvement Company v. Gibney*, 160 U. S. 217; *Smithers v. Smith*, 204 U. S. 632; *Petri v. Creelman Lumber Company*, 199 U. S. 487; *Wetmore v. Rymer*, 169 U. S. 115."

**This Bill on Its Face Purports to Be, Among Other Things,
for Infringement of Patent Rights.**

We take it that the question of jurisdiction of the District Court which authorizes a direct appeal to this court must be one which involves the jurisdiction of the Federal Court as a Federal Court and not merely whether the court has jurisdiction over the person of the defendant or whether the suit should be at law or in equity. As said by this court in *United States v. Larkin*, 208 U. S., 238:

“It has been settled that it is the jurisdiction of the United States courts as such which is referred to. *Louisville Trust Co. v. Knott*, 191 U. S. 225; *Blythe v. Hinckley*, 173 U. S. 501; *Mexican Central Railroad Company v. Eckman*, 187 U. S. 429, 432.”

Although the motion of the West Virginia corporation on which the order of dismissal was made, as appears at page 49, asked for the dismissal on the ground, as appeared by the motion, “that any devices which are manufactured by said the Seng Company within the scope of, or covered by, complainant’s patents, are licensed devices”; and “that said bill of complaint fails to charge that the competing devices mentioned therein infringed complainant’s patents”; and “that said bill of complaint wholly fails to set forth a cause of action against this defendant for infringement of letters patent”; and “that this defendant objects to, and protests against being sued outside of the residence of either itself or the complainant”; and prays “that the said bill of complaint herein be dismissed as to it, for want of jurisdiction over the person of this defendant,” yet, as already said, the court dismissed the bill “for want of jurisdiction” apparently as a Federal Court and not for the insufficiency of the allegations to make out a bill of patent infringement. The Court of Appeals so regarded it and dismissed the ap-

peal expressly on the ground, as stated in its amended order at page 63, "for the reason that such appeal should have been taken, under Section 238 of the new Federal Judicial Code, to the Supreme Court of the United States, instead of to this court."

It thus appears that the complainant has been forced by the action of the District Court in dismissing its bill and the action of the Court of Appeals in dismissing its appeal to present its case to this court for adjudication. We take it that in considering the appeal this court will consider whether or not the allegations of the bill are sufficient, if admitted or proven, to make out a case of infringement under the patent laws.

In Declaring Upon Infringement of Patent Rights the Bill Conferred Jurisdiction.

That this is a case arising under the patent laws is determined and must be determined by the allegations of the bill. On so plain a proposition we need to quote no further than the decision of this court in the case of *The Fair v. Kohler Die Co.*, 228 U. S., beginning at page 24, where this court, after saying that the appeal is upon the question of jurisdiction alone, said:

"Obviously the plaintiff sued upon the patent law, so far as the purport and intent of the bill is concerned. It was a resident of the same state as the defendant and could have had no other ground. In the early paragraphs of the bill it charged an infringement of its patent rights in general terms, and it sought triple damages, which it could only have done by virtue of the statute. It is true that later it set up the sale at a dollar and a quarter as an infringement and that we may guess that this is the only one, although it does not say so. But if that is the plaintiff's only cause of action, still the plaintiff relies upon it as an infringement and

nothing else—so that, good or bad, the cause of action alleged is a cause of action under the laws of the United States.

“Of course the party who brings a suit is master to decide what law he will rely upon and therefore does determine whether he will bring a ‘suit arising under’ the patent or other law of the United States by his declaration or bill. That question cannot depend upon the answer, and accordingly jurisdiction cannot be conferred by the defense even when anticipated and replied to in the bill. *Devine v. Los Angeles*, 202 U. S., 313, 334. Conversely, when the plaintiff bases his cause of action upon an act of Congress jurisdiction cannot be defeated by a plea denying the merits of the claim. It might be defeated, no doubt, in a case depending on diversity of citizenship by a plea to the citizenship of parties. *Interior Construction and Improvement Co. v. Gibney*, 160 U. S., 217, 219. We are speaking of a case where jurisdiction is incident to a Federal statutory cause of action. Jurisdiction is authority to decide the case either way. Unsuccessful as well as successful suits may be brought upon the act, and a decision that a patent is bad, whether on the facts or the law, is as binding as one that it is good. See *Fauntleroy v. Lum*, 210 U. S., 230, 235. No doubt if it should appear that the plaintiff was not really relying upon the patent law for his alleged rights, or if the claim of right were frivolous, the case might be dismissed. In the former instance the suit would not really and substantially involve a controversy within the jurisdiction of the court. *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S., 282, 287, 288. And in the latter the jurisdiction would not be denied, except possibly in form. *Deming v. Carlisle Packing Co.*, 226 U. S., 102, 109. But if the plaintiff really makes a substantial claim under an act of Congress there is jurisdiction whether the claim ultimately be held good or bad.”

The decision in the above case simply expresses what we understand to be settled law, namely: That upon a question of jurisdiction raised by a demurrer or motion, as in this case, the question of jurisdiction is to be determined by the

allegations of the bill, which for the purposes of demurrer or motion must be assumed to be true. We need not, therefore, refer to other decisions bearing on this proposition.

The Allegations of the Bill if Confessed or Proven Make Out a Case Under the Patent Laws.

Section 48 of the Code conferring jurisdiction on the district courts in patent causes provides that a corporation may be sued outside of the district of which it is an inhabitant, in any district in which it has a regular and established place of business and has committed acts of infringement. The West Virginia corporation is, therefore, suable in the Northern District of Illinois, provided it has a regular and established place of business and has committed acts of infringement in such district. Inasmuch, however, as the infringement charged against the West Virginia corporation is one of contributory infringement in that it, with the other defendants, has investigated, procured, and caused infringements by another, the first question that arises is as to whether the acts of *contributory* infringement, like acts of primary or *actual* infringements, are sufficient to confer jurisdiction under the statute. This has been held in the District Courts.

In *Consolidated Rubber Tire Co. v. Republic Rubber Co.*, 195 Fed., 770, Judge Kohlsaas in considering the contention of the defendant said:

“It insists that there must exist a completed act of infringement in a district in which none of the parties are citizens or residents, and that contributory infringement is not such an act.”

In considering the necessity of showing a completed act of infringement as distinguished from a threatened infringement, for example, Judge Kohlsaas said:

"It seems clear that, in order to constitute such an infringement as will sustain the jurisdiction of the court of the district wherein neither party resides or is a citizen, the act must be a completed act of infringement."

Having arrived at this conclusion, and having cited decisions in support of it, Judge Kohlsaas stated his conclusion on the question of jurisdiction as follows:

"No reason is perceived, however, why a clear act of completed *contributory* infringement would be less an infringement for purposes of jurisdiction or otherwise than any other act of infringement, but such contributory act must have resulted in a completed infringement."

Judge Kohlsaas, having found that the court had jurisdiction of the foreign corporation on the ground that it was a contributor to a completed act of infringement in the district where sued, proceeded to consider and decide the case on its merits, but came to the conclusion that the evidence as to what the defendant had participated in doing, or had contributed to, was insufficient to support a finding of *direct* infringement. He, therefore, dismissed the bill "for want of equity"—not for want of jurisdiction.

The case was appealed and is reported in 202 Fed., 1021, in a memorandum opinion, which reversed the decision, but without stating the grounds of reversal. Evidently it was because the Court of Appeals differed with Judge Kohlsaas as to the effect of the evidence establishing infringement and considered it sufficient. The court, therefore, reversed the decision, which they could not have done if they had also differed with Judge Kohlsaas in his conclusion that a completed act of contributory infringement was sufficient to confer jurisdiction on the court of the district where the completed act was consummated. The case was, therefore,

remanded and sent to a Master for an accounting. The decisions of Judge Kohlsaas and of the Court of Appeals for the Seventh Circuit are directly in point to the proposition that contributory infringement by a foreign corporation, in a district where it has a regular and established place of business, and in which the contributor assisted in a completed act of infringement, is sufficient to confer jurisdiction over the foreign corporation. This brings us to a consideration of the facts disclosed in the bill.

The Facts Show Actual Infringement by a Party Through the Instigation and Procurement of the Defendants.

Before entering upon a detailed statement of the facts disclosed in the bill and references to the transcript, we will state generally that there is the following condition of things shown, which, of course, must be taken as true on the motions to dismiss:

It appears from the bill that prior to December 12, 1904, the complainant had a suit for infringement of patents against S. Karpen & Bros., the Illinois corporation defendant, and the Seng Company, an Illinois corporation. And in order to settle the litigation, a license contract was entered into on December 12, 1904, between the complainant, as party of the first part, and the two Karpen companies, defendants herein, as parties of the second part, and the Seng Company, as party of the third part, which contract is attached to the bill as "Exhibit A." Thus upon the settlement of the litigation, the complainant herein and the two Karpen companies became licensors of the Seng Company under the patents mentioned in the contract; and the business of manufacturing and selling the inventions of the patents, which were fixtures relating to the manufacture of sofa beds and sofa bed frames, to the trade generally, was vested

in the Seng Company, which agreed to pay certain specified royalties in equal parts to the complainant herein and to the Karpen companies. In this way, the complainant and the defendants herein became equally interested in the manufacture and sale of the patented fixtures by the Seng Company. Some minor provisions were also contained in the contract, allowing each of the licensors to manufacture some specific forms of fixtures "only in the usual and regular course of their own business of manufacture and sale," which provisions, however, are not germane to the present controversy. The bill also provided that if the Karpen companies or if the Seng Company should make inventions of a patentable nature on certain of the patents under which the license was granted, they should assign the same to the complainant herein, which was the owner of the patents under which the infringement suit, compromised and settled as above, had been commenced.

According to the allegations of the bill, which are not denied, the Karpen companies, after all of the parties had been operating under the license agreement of December 12, 1904, amended as to the royalties to be paid by the Seng Company in a subsequent contract dated February 10, 1906, and attached to the bill as "Exhibit B," apparently concluded that they could make more money by disloyalty to their colicensor, the complainant herein, and by instigating and procuring the Seng Company to disregard and violate its contract by manufacturing and selling to the general trade competing and substitute fixtures on which it would pay royalty to the Karpen companies alone, instead of to both the complainant and the Karpen companies in equal shares.

In order to carry out the disloyal design above mentioned, the Karpen companies got up a line of patents which

they should have assigned to the complainant under the terms and provisions of the contract of December 12, 1904, but which they retained and under which they persuaded and induced the Seng Company to make a license contract to themselves alone, leaving the complainant out, so that thereafter the Seng Company, instead of manufacturing and selling the patented fixtures alone, as it had agreed to do, manufactured and sold competing and substitute devices under its contract with the Karpen companies, thus reducing and diminishing the number of fixtures manufactured and sold under the contract of December 12, 1904, although it continued to manufacture and sell the licensed fixtures in diminished quantities.

The above is a general statement of the condition of things existing at the time of the filing of the bill, and if true, as admitted by the motions, presents the conduct of the Karpen companies in the light of not only disregarding their contract to assign patents to the complainant, but of betraying the complainant, their colicensor, by instigating, procuring and inducing the Seng Company, who was their joint licensee, to disregard its contract and enter upon the manufacture and sale of competing and substitute devices when it had agreed to manufacture and sell the licensed devices only.

Coming, now, to the specific questions involved, we have no hesitation in saying that, as the bill is founded upon an allegation of contributory infringement of patents by the defendants, it is necessary to establish primary and actual infringement in the Seng Company, the party instigated and procured by the defendants to infringe, inasmuch as there can, of course, be no contributory infringement unless there is actual infringement. The case, therefore, is reduced to a consideration of whether the acts alleged in the

bill, and which stand as admitted, show actual or primary infringement on the part of the Seng Company. This necessarily involves a particular and detailed consideration of the provisions of the contract, and the particular acts which are charged in the bill to constitute the infringement of the patent rights which the defendants are alleged, and by the motions are admitted, to have instigated and procured the Seng Company to commit.

The fourth paragraph of the contract of December 12, 1904, at page 31, provided that:

"No party hereto shall *authorize* the manufacture or sale of, or *sell*, the sofa beds, frames or fixtures of any thereof shown and described in said patents, or any of them, *except* as herein expressly authorized."

Under the seventh paragraph of the contract of December 12, 1904, at page 32, the complainant and defendants, as joint licensors, granted the Seng Company, as the party of the third part, an exclusive license under the patents mentioned in the contract. The entire paragraph reads as follows:

"7. Said party of the third part shall have the exclusive right, upon the payment of royalties, as hereinafter provided, to make and sell to the manufacturing trade the fixtures of the Karpen and Weyer patents (now known as metal fixtures) for use by the trade in the manufacture of sofa beds and sofa bed frames; provided that the party of the third part shall faithfully perform the covenants hereinafter contained."

It will be noted that the grant of the exclusive right to make and sell the inventions to the manufacturing trade, contained in the paragraph above, was predicated upon the express provision that the party of the third part—the Seng Company—should "faithfully perform the covenants hereinafter contained." Consequently, if the Seng Com-

pany should *not* faithfully perform its covenants, it could not claim the protection of the exclusive character of the rights conferred in the contract. One of the covenants that the Seng Company was to perform, and on which, among other things, its claim to exclusive right depended, was that it should not sell the licensed fixtures to any manufacturer engaged in the manufacture or sale of sofa beds or sofa bed frames, or fixtures of a similar or infringing nature. This was contained in the eighth paragraph of the contract, at page 32, which paragraph in its entirety reads as follows:

“8. It is understood that the party of the third part shall not sell said fixtures to any manufacturer engaged in the manufacture or sale of sofa beds or sofa bed frames, or fixtures of similar or infringing nature, after notice shall be brought to said third party of such manufacture or sale of similar or infringing devices, provided that in any case where such manufacturer shall cease to manufacture or sell the same, said party of the third part may sell the fixtures of said Karpen and Weyer patents to such manufacturer so long as the similar or infringing devices are not manufactured or sold.”

Another covenant contained in the contract, on which the exclusive right to manufacture and sell was conferred on the Seng Company, is contained in the 9th paragraph, at page 32, which, after specifying that the Seng Company should manufacture the fixtures in a good and workman-like manner and in number equal to the demands of the licensors, and of the general manufacturing trade, and make prompt deliveries, and things of that nature, provided that the Seng Company, as the party of the third part:

“Will use its best endeavors by all the usual recognized commercial means, such as advertising and personal solicitation, to promote the demand for and the sale of said fixtures by and to the general manufacturing trade.”

It will be noted that this provision is one intended and calculated to insure the growth and extension of the business so as to yield as large returns as possible to the licensors, and that it is one which is impossible of fulfillment if the Seng Company were to be permitted to manufacture and sell competing or substitute devices, inasmuch as such manufacture and sale would prevent it from using "its best endeavors" to promote the demand for and the sale of the licensed fixtures.

Another provision contained in the contract, on which the exclusive right conferred in the 7th paragraph depended, was that the Seng Company, as the party of the third part, would not sell the licensed fixtures as embodied in sofa beds or sofa bed frames, and that it would not cause such fixtures to be used and sold in sofa beds and sofa bed frames in any way other than as specified in the contract and upon the payment of the royalties reserved. This covenant was contained in the 10th paragraph of the contract, at page 33, which reads as follows:

"10. The party of the third part shall not sell said fixtures embodied in sofa beds or sofa bed frames, nor shall it cause such fixtures to be used and sold in sofa beds and sofa bed frames, except as specified in this contract and upon the payment of royalties, as hereinafter provided."

Another covenant contained in the contract, on which the exclusive right conferred under the 7th paragraph depended, was that the Seng Company, the party of the third part, should not engage in competition with the other parties, by manufacturing either any infringing or any similar devices or fixtures on its own account or for others. This provision was very broad, and excluded the Seng Company from manufacturing *any* infringing or any similar devices or fixtures which would be in competition in any way with

the business of the licensors. It was a proper and necessary provision to insure as extensive a manufacture and sale of the licensed devices as possible, so that the licensors would receive as great a return or income in the way of royalties under the contract as possible. This covenant was contained in the eleventh paragraph of the contract, at page 33, which reads as follows:

“11. The party of the third part shall not engage in competition with the parties of the first and second parts, to the extent of manufacturing either any infringing or any similar devices, fixtures, sofa beds or sofa bed frames, on its own account, or for others.”

Another covenant contained in the contract on which the exclusive right conferred in paragraph seven depended, was contained in the eighteenth paragraph, at page 34, which provided that the Seng Company, as the party of the third part, would not, either directly or indirectly, use the patented inventions or any of them, except in accordance with the provisions of the license, and that it would not dispute the validity of the patents under which it was licensed. The eighteenth paragraph in its entirety reads as follows:

“18. The party of the third part shall not, either directly or indirectly, use said inventions, or any of them, otherwise than in accordance with this license, and shall at no time dispute the validity of any of the above enumerated patents.”

From the above provisions of the contract of December 12, 1904, it will be apparent that the exclusive right conferred on the Seng Company, as party of the third part, depended upon, and was expressly made to depend upon, various provisions, conditions and restrictions calculated and intended to protect and safeguard the patent *rights* of the complainant, so that any disregard or violation of such

provisions affecting the patent *rights* considered as such would constitute the Seng Company an infringer of the patent rights of the complainant and deprive it of claiming the protection of the license. They are provisions and conditions that go to the very essence of the *patent* rights, as much as if the Seng Company had been expressly limited to an exclusive right to manufacture and sell the patented fixtures within a certain specified territory, as, for example, within the State of Illinois. Any manufacture and sale of the patented fixtures, contrary to the provisions and restrictions of the license, would necessarily be to exceed or transcend the rights conferred under the contract, as much as, in the example given, it would be to manufacture or sell outside of the specified territory, and consequently be a violation of the patent rights of the complainant.

We do not claim that any and all violation by a licensee of the terms and provisions of a license contract would constitute an infringement of the *patent* rights of the licensor, for which a bill for infringement would lie, as it is manifest that many provisions usually contained in a license contract, as that the licensee shall keep proper books of account, shall make statements or reports at definite periods, and pay definite specified royalties, would be simple violations of the contract, not affecting the *patent* rights which were the subject-matter of the contract. This has been held in various cases, as, for instance, in the decision of the United States Circuit Court of Appeals for the Seventh Circuit, in the case of *Chadeloid Chemical Company v. Johnson*, 203 Fed., 995.

The U. S. Circuit Court of Appeals for the Seventh Circuit, through Judges Jenkins, Grosseup and Baker, in the case of *Victor Talking Mach. Co. v. The Fair*, 123 Fed., 425, clearly points out the conditions which inhere in a suit for

infringement as against a suit for violation of a license contract, as follows:

“When a contract is made respecting a right under a patent, and the parties get into litigation, confusion has sometimes arisen over the question whether the cause of action originates in the contract or in the patent laws. The test is this: If the plaintiff is seeking a judgment for debt or damages, or a decree for cancellation or specific performance, on account of the defendant's breach of his covenants, the cause of action arises out of the contract; and, though the determination of the issue of breach or no breach may involve the interpretation of the patent and of the prior art, the insistence of the defendant that his device, according to the true construction of the patent and of the prior art, is not within the patent right granted him in the contract, cannot change the nature of the action. *Standard Sewing Machine Co. v. Leslie*, 118 Fed. 557, 55 C. C. A. 323. On the other hand, if the plaintiff is seeking a judgment for damages, or a decree for an injunction and an accounting, on account of the defendant's unauthorized use of the patent right in making or using or selling the device without license, the cause of action arises out of the patent laws; and, though the determination of the issue of infringement or no infringement may involve the interpretation of the contract, the insistence of the defendant that his act was within his rights under the contract, if properly construed, cannot change the nature of the action. We think the rule as stated is clearly deducible from the authorities. Mr. Chief Justice Taney's statement of the nature of the bill in *Wilson v. Sanford*, 10 How. 99, 13 L. Ed. 344, points out the class to which that action belongs:

“The object of the bill is to have this contract set aside and declared to be forfeited; and the prayer is “that the appellant's reinvestiture of title to the license granted to the appellees, by reason of the forfeiture of the contract, may be sanctioned by the court,” and for an injunction. But the injunction he asks for is to be the consequence of the decree of the court sanctioning the forfeiture. He alleges no ground for an injunction unless the contract is set aside.’

"If, however, the patentee has been suing, not to have the contract annulled, but to restrain the defendants from using a part of his monopoly that had never been granted them, the language of Mr. Chief Justice Waite in *Littlefield v. Perry*, 21 Wall. 205, 222, 22 L. Ed. 577, would characterize the class:

" 'An action which raises a question of infringement is an action arising "under the law," and one who has the right to sue for infringement may sue in the Circuit Court. Such a suit may involve the construction of the contract as well as the patent, but that will not oust the court of its jurisdiction.'

"And in this connection, see, further, *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S. 282, 22 Sup. Ct. 681, 46 L. Ed. 910; *Atherton Machine Co. v. Atwood-Morrison Co.*, 102 Fed. 949, 43 C. C. A. 72; *Ball & Socket Fastener Co. v. Ball Glove Fastening Co.*, 58 Fed. 818, 7 C. C. A. 498; *Seibert Cylinder Oil Cup Co. v. Manning*, C. C., 32 Fed. 625."

In this case, we submit that it is plain that, if this were a suit against the Seng Company for infringement of the complainant's patent rights, the license contract of December 12, 1904, could not be interposed as a defense to the suit, because the sale of the licensed fixtures "to any manufacturer engaged in the manufacture or sale of sofa beds or sofa bed frames, or fixtures of similar or infringing nature," as forbidden in the eighth paragraph, would be an invasion of the complainant's rights under its *patents*. In like manner, any sale of fixtures "of *similar* or infringing devices," as forbidden in the eighth paragraph, would necessarily be depriving or preventing it from using "its best endeavors" to sell the patented fixtures, as required in the ninth paragraph, and so an impairment of its *patent* rights. In like manner, if the Seng Company "caused such fixtures to be used and sold in sofa beds and sofa bed frames, except as specified in this contract," it would be invading the complainant's patent rights reserved in the tenth paragraph. In like manner, if the Seng Company "en-

gaged in competition" with the licensors, by manufacturing or selling "either any *infringing* or any *similar* devices, fixtures, sofa beds or sofa bed frames, on its own account, or for others," it would be invading the complainant's *patent* rights reserved in the eleventh paragraph. In like manner, if the Seng Company, "either directly or indirectly, used such inventions, or any of them, otherwise than in accordance with this license," as forbidden in the eighteenth paragraph, it would be invading the complainant's *patent* rights and liable to a suit for infringement. If this be so, then any one who instigated or induced the Seng Company so to do would be guilty of contributory infringement. This brings us to a consideration of the allegations of the bill, which are admitted as true, by the motion to dismiss.

The Allegations of the Bill of Complaint.

As to the Karpen Illinois corporation and Solomon Karpen, there is no question but that they have been sued in the proper district. As to the Karpen West Virginia corporation, the bill recites, at page 3, that it has an office "for the transaction of business and a regular and established place of business in the City of Chicago and State of Illinois," which is the first jurisdictional requirement of Section 48 of the Code. And at page 8 it is alleged that the defendants—all of them, including the West Virginia corporation—have committed the acts of infringement" at Chicago, Illinois, in the District aforesaid," which is the second jurisdictional requirement of the Code, where a foreign corporation is sued outside of its home district. It would seem, therefore, that, so far as the allegations of the bill are concerned, the requirements of Section 48 of the Code have been fully complied with.

The bill, under the first heading as to its causes of action, alleges, at page 7, and the allegation is not disputed, that,

with full knowledge of the terms, conditions, covenants and restrictions imposed upon the Seng Company, party of the third part, by the contract of December 12, 1904, the defendants, the parties of the second part to such contract, for their own profit and benefit, have induced, procured and persuaded the Seng Company to enter into *another* license contract with themselves and with *customers* of your orator, who were not parties to such contract, to manufacture and sell to such customers of your orator, and also to the general manufacturing trade, devices, fixtures or frames for sofa beds or davenport beds, similar to and used as substitutes for and in competition with the devices and fixtures, which substitute devices the Seng Company had agreed not to manufacture or sell, and which was in violation of the eighth paragraph of the contract, in which the Seng Company had agreed not to manufacture or sell "sofa bed frames or fixtures, of similar or infringing nature," and in violation of the tenth paragraph of the contract, wherein the Seng Company had agreed not to sell such fixtures "to be used and sold in sofa beds and sofa bed frames, except as specified in the contract"; and in violation of the eleventh paragraph of the contract, which provided that the Seng Company would not engage in "competition" with the complainant, to the extent of manufacturing "either any infringing or any similar devices, fixtures, sofa beds or sofa bed frames on its own account or for others." The bill mentions, as an example or illustration of such conduct, the name of one of such customers—the Naperville Lounge Company, of Naperville, Illinois—which it had shown to be one of its customers, by attaching to the bills as "Exhibit C" the contract that it had entered into with such company about the first day of December, 1911, which contract the Karpen companies had knowledge of and had approved of, as shown at page 47, where it is recited that they had read the proposed contract which the complainant was making with the Naperville Company, and agreed to its execution.

Nevertheless, as alleged by the bill, at page 8, which allegation is not disputed, the defendants were inducing, procuring and persuading the Seng Company to sell to *this* customer, who was buying the licensed fixtures, as well as "to the general manufacturing trade," which was contrary to the eighteenth paragraph of the contract, which provided that the Seng Company would not, "either directly or indirectly, use said inventions, or any of them, otherwise than in accordance with this license." The bill alleges that the Seng Company was thus selling, along with the licensed fixtures, and to the same parties, devices and fixtures "similar to and used as substitutes for and in competition with the devices and fixtures," which the Seng Company had agreed that it would not manufacture or sell; and that the Seng Company was doing these things "through the inducement, procurement and persuasion of the said defendants," which allegation is not denied.

The twelfth paragraph of the bill, at page 8, enumerates by name the licensed devices or fixtures, and also those that were being sold by the Seng Company under the inducement, procurement and persuasion of the defendants as the "Unifold" and "Duofold" fixtures; and then alleges, in the thirteenth paragraph of the bill, that the "Unifold" and "Duofold" devices or fixtures or frames for sofa beds, which the defendants had induced, procured and persuaded the Seng Company to manufacture and sell, "are and have been in direct competition with and are used as substitutes for the devices and fixtures which the Seng Company was licensed to manufacture and sell" under the contract of December 12, 1904; and that, by inducing, procuring and persuading the Seng Company to enter into the separate license contract with themselves and with customers of your orator, for the manufacture and sale of competing or substitute fixtures or frames, "the defendants have rendered it impossible for the

Seng Company to carry out and perform its duties and obligations under the license contract of December 12, 1904, in good faith and with its best endeavors, as it had agreed to do."

The bill alleges in the fourteenth paragraph, at page 9, that the manufacture and sale by the Seng Company, of the licensed devices and fixtures, in a manner contrary to the terms and provisions of the contract of December 12, 1904, and of the competing and substitute devices to the general manufacturing trade, and to those who were or have been or might become customers for the licensed devices or fixtures, in competition with and as substitutes for the licensed fixtures or devices, constitute a breach and violation by the Seng Company of the license contract of December 12, 1904, whereby the Seng Company had been and was making use of the inventions of the complainant in violation of the restrictions imposed by it as the owner of the patents under which the license was granted, and that such manufacture, sale or use by the Seng Company, of both the licensed and unlicensed devices and fixtures, in disregard and violation of the covenants, conditions and restrictions under which the license was granted, was unlawful, prohibited and in defiance of the complainant's patent monopoly and the rights reserved by it as the owner of the patents, so that the Seng Company had become and was an infringer of the patent monopoly reserved to the complainant, and of the rights of the complainant as the owner of the patents mentioned in the contract. The bill then alleges that the defendants—all of them, including the West Virginia corporation—by inducing, procuring and persuading the Seng Company to enter into a contract with themselves, whereby they induced, procured and persuaded such company to disregard and violate the provisions, covenants and conditions of the license contract, and by procuring, persuading and causing the breach,

disregard and violation of such contract, in the various ways recited by the bill, the defendants had become and were contributory infringers of the patent monopoly reserved to the complainant, and of its rights as the owner of the letters patent enumerated in the license.

The bill, under the second heading as to its causes of action, next alleges and sets out additional and what may be called specific examples or illustrations of a course of dealing, by which the defendants have not only instigated and persuaded the Seng Company to infringe, but also other particular customers of the complainant, whose names are mentioned and the circumstances of the infringement detailed. This course of dealing is set out beginning at the fifteenth paragraph of the bill, on page 10, and relates to the manner in which the defendants persuaded and induced the Seng Company and the Naperville Lounge Company, and its subordinate companies, customers which the complainant had procured, to violate their contracts with the complainant, and to purchase and use similar, competing and substitute devices, although under contract to use the licensed devices only. These specific instances or examples of the unlawful sale of the licensed type of fixtures to the Naperville Lounge Company in defiance of the provisions of the license contract and in infringement of the patents owned by the complainant should be taken into consideration, since the Naperville company was and is one of the complainant's customers, which the Seng Company is *under contract* to supply with the licensed type of fixtures and *no other* kind. The bill alleges in paragraph seventeen, at page 11, that the complainant, "by and with the written consent of the *defendants*, entered into a license contract in writing with the Naperville Lounge Company," to manufacture sofa beds and sofa bed frames "embodying one or more of the devices or fixtures manufactured *for your orator* by the Seng Company under the

license contract of December 12, 1904, but under certain conditions," etc. This contract is attached to the bill as "Exhibit C," and the bill states that it was in full force and effect. The contract obligates the Naperville Lounge Company and its subsidiary companies to purchase a minimum of seventy-five thousand (75,000) sets of fixtures "from December 1st, 1911, to November 30th, 1914." In view of the allegation in the bill that the Naperville contract is still in force, and of the obligation expressed in the contract itself, to purchase a minimum number of devices within a specified period of time, which had not expired, it is obvious that the Naperville Lounge Company and its subordinate companies were, at the date of the filing of the bill, the *complainant's* customers to whom the complainant, acting through the Seng Company, was obligated to supply fixtures of the licensed type. And yet at the instance, persuasion and inducement of the defendants the Seng Company was selling them fixtures of an unlicensed kind.

The defendants herein and the Seng Company knew all about this contract, since they all executed an agreement, appended thereto, ratifying the contract, wherein it was agreed that the royalties accruing from the Naperville Lounge Company contract should be divided between the complainant and the defendants.

The contract between the complainant and the Naperville Lounge Company, like the contract of December 12, 1904, contained provisions, at page 44, to the effect that the Naperville Lounge Company and its subsidiary companies should not engage in "competition" with the complainant by manufacturing "any infringing or similar fixtures or devices" on its own account or for others, "hereby agreeing to purchase, during the life of this contract, all fixtures or devices for the manufacture of sofa beds," from the com-

plainant "through the Seng Company of Chicago, Illinois," until the minimum guaranteed number of the licensed type of fixtures had been purchased from the Seng Company; that the Seng Company subscribed to this contract, and was obligated to furnish the licensed type of fixtures in *conformity* with the provisions of the contract of December 12, 1904, as modified in respect to royalties *only* by the subsequent contract; that the Seng Company was thereby precluded from furnishing any competing or similar fixtures to the Naperville Company, and from selling the Naperville Company the licensed type of fixtures while it was using competing or substitute fixtures; that the Naperville Company was precluded and prohibited from purchasing such fixtures from the Seng Company or from any other source; and that the defendants herein knew all of these prohibitions and subscribed and agreed to them. Owing to these provisions the complainant made special favorable prices.

Under these circumstances, a sale to the Naperville Company of *similar* or competing fixtures involved a breach by the Seng Company of the original contract of December 12, 1904, and *necessitated* a breach of the Naperville contract, and, furthermore, placed the Naperville Company in the class of manufacturers to whom the Seng Company was prohibited from *selling* the *licensed* fixtures while the Naperville contract was in force. In short, in order to supply the prohibited similar and competing fixtures to the Naperville Company, the Seng Company was obliged to necessarily assume a position contrary to its obligations under the contract of December 12, 1904, which made it impossible to *concurrently* supply the licensed type of fixtures which it was obligated to supply, *along with* the competing or similar devices, without violating the license contract under which it was manufacturing and selling. The bill charges such prohibited sales of competing or similar devices to the Nap-

erville Lounge Company, and alleges in paragraph twenty-one, at page 13, that the defendants—all of them, including the West Virginia corporation—"for the mutual profit and financial benefit" of the defendants and of the Naperville Company, induced, procured and persuaded the Naperville Company to use the similar substitute and competing devices, and "to manufacture and to have manufactured and to sell to others for use, unlicensed devices and fixtures" at Chicago, Illinois, "in the District aforesaid."

The bill, in the twenty-third paragraph, at page 14, alleges that, by reason of the foregoing, the Naperville Lounge Company became an infringer of the complainant's patent monopoly, and that the defendants, by inducing, procuring and persuading the Naperville Lounge Company to infringe the complainant's patents, "became, were and are contributory infringers of the patent monopoly reserved to your orator, and of the rights of your orator as the owner of said letters patents enumerated in said license contract of December, 1911." Thus the defendants became contributory infringers of the complainant's patents and its rights under the patents enumerated in the license contract of December 12, 1904, and the Naperville contract of December, 1911, by inducing, persuading and procuring the Seng Company to sell the licensed fixtures along with the competing, similar and substitute fixtures, which it had agreed not to do, and the Naperville Company to use competing, similar and substitute fixtures along with the licensed fixtures, which it had agreed not to do.

The bill, in paragraph twenty-one, at page 13, alleges that the Seng Company was actually engaged in supplying the Naperville Company with the similar and competing type of fixtures, and points out the fact that the defendants herein had *induced* and persuaded the Seng Company to manufac-

ture and sell them to the Naperville Company, and had induced and persuaded the Naperville Company to *use* the prohibited type of fixtures, and that the Naperville Company was "using such other devices and fixtures as substitutes for the devices and fixtures that it had agreed, in any and by said license contract of December, 1911, to use exclusively." The bill, therefore, plainly charges that the Seng Company is selling the licensed type of fixtures to a *manufacturer*, the Naperville Company, which company, by the acts of these defendants, had been placed by contract in the class of manufacturers to whom the Seng Company was prohibited from selling. In short, all the sales of the *licensed* type of fixtures to the Naperville Company, which had been or were being made by the Seng Company, are prohibited by and outside of the scope and protection of the license, are infringing sales, and sales which have been rendered unlawful and infringing by the wrongful acts of the defendants. This whole Naperville matter presents an illustration and example of the manner in which the defendants have persuaded, procured and induced the Seng Company to sell fixtures in a way outside of and beyond the protection of the license contract of December 12, 1904, under which it was licensed to manufacture and sell under the complainant's patents.

The position of the Seng Company is utterly indefensible, and is antagonistic to the performance of the two contracts in question; and if this were a suit for infringement against the Seng Company, it would not be permitted to successfully defend against the charge of infringement.

We submit that when the Seng Company sold licensed fixtures to unauthorized parties, and substitute and competing fixtures which were prohibited under the eleventh paragraph of the contract, which forbade the complainant to enter into "competition" with the complainant, by manufacturing

"either any infringing or any similar devices, fixtures, sofa beds or sofa bed frames, on its own account, or for others," which infringing or similar devices it was selling to the customers of the licensed devices and fixtures, and to the general manufacturing trade, along with the licensed fixtures, it was operating outside of the protection and provisions of the license contract, and was infringing upon the *patent* rights of the complainant, the same as if it had been licensed to sell in a specified territory, as, for example, Illinois, and was selling outside of such territory in disregard of its covenants and agreements; and that, when the defendants were aiding and abetting the Seng Company, or in other words, were inducing, procuring and persuading the Seng Company to sell the "Unifold" and "Duofold" devices or fixtures, which were competing fixtures, and which were either "infringing or similar" devices, and to sell the licensed devices to customers of the complainant and to the general manufacturing trade, in ways not authorized or permitted by the license contract, the defendants were plainly guilty of contributory infringement. If the acts of the Seng Company were infringements, the acts of the defendants were contributory infringements.

It was surely competent and within the legal right of the Seng Company to give up the right to make any *competing* and any *similar* fixtures, and to agree to refrain from selling the licensed fixtures to those engaged in the manufacture, sale or use of similar or competing devices, and to agree that the license should afford it protection only when it was faithfully performing all of its covenants, in order to secure the contract, and to have the benefit of manufacturing and selling the licensed fixtures. It is to be presumed that all the conditions, restrictions and prohibitions contained in the license were *necessary* to get the consent of the complainant to execute it and confer its benefits. Furthermore, the defendants

were parties to the contract, and beneficiaries of its provisions, and it does not lie in their mouths to urge that the contract was improper or illegal on any ground, not affecting its legality, *ab initio*. It was plainly a proper and reasonable agreement, satisfactory to the Seng Company and to the defendants, and they cannot be heard to complain that their rights are in any way illegally curtailed or abridged by its terms and provisions.

Nor is there any force in the suggestions of the defendants, contained in their motion, "that said bill of complaint fails to charge that the *competing* devices mentioned therein infringe complainant's patents." It is not the technical comparison of the claims contained in the complainant's patents with the mechanical parts of the *competing* or similar devices that alone constitutes infringement of the patents. The parties have agreed, in effect, that the patents cover "either any infringing or any similar devices," and that they are intended to come within their terms, scope and inclusion, so as to be infringements thereof, by agreeing that any devices "similar" to the licensed devices shall be regarded and treated the same as any "infringing" devices, which would, of course, come within the claims of the patents, as otherwise they would not be "infringing" devices, and so they provided that they could not be made or sold in "competition" with the specific devices of the patents that the Seng Company was specifically licensed to make and sell. They have thus given a construction to the patents to the effect that, so far as the parties to the contract are concerned, the patents cover, and were intended to cover, "fixtures of *similar* or infringing nature," to quote the language of paragraph eight, or which could be considered as "*either* any infringing or any similar devices," to quote the language of paragraph eleven of the contract, and they are by the contract estopped from asserting that "similar" devices, which the "Unifold" and "Duo-

fold" devices are alleged in the bill and admitted by the motions to be, do not fall within the monopoly secured by the patents. They have, in effect, agreed that the patent monopoly shall cover and include all substitute or competing devices, whether they be "similar or infringing devices"; and it is surely competent for parties entering into an agreement, and particularly an agreement which conveys exclusive rights, to agree between themselves as to what shall be considered as covered by and included within the patent monopoly. The situation is similar in this respect to that presented in *Pope Manfg. Co. v. Owsley*, 27 Fed., 108, not to mention other cases, where a licensee had made reports under his license, including certain machines, and afterwards, when sued, sought to show that they were not covered by the patents; but Judge Blodgett said that "By making such reports they have admitted that the machines herein mentioned contain said improvements," which he treated as a practical construction by the parties, which concluded the question.

It becomes unnecessary, therefore, to institute any technical comparison between the claims of the patents and the competing substitute or similar devices which the parties themselves have agreed, in all fair and legal intendment and effect are to be considered as included within the monopoly of the patents. All that is necessary or will be necessary to establish the allegations of the bill as to infringement will be to show that the devices complained of are "similar" and "competing" devices to those licensed under the contract. All that is necessary or will be necessary to make out infringement will be to compare one set of devices with the other, and if the fact is established that they are "similar" or "competing" devices, they must be held to be infringements under the terms of the contract, which has, in effect, defined what comes within the monopoly secured by the pat-

ents. The question of infringement is simply a question of *fact* as to the similarity or competing nature of the two sets of devices considered as physical things designed for similar purposes.

Hence the allegations of the bill, that the Seng Company was manufacturing and selling, "in defiance of the patent monopoly and the rights reserved to your orator as owner of said patents," and that it was "an infringer of the patent monopoly reserved to your orator, and of the rights of your orator as the owner of said patents enumerated in said license contract," are plainly sufficient to support the allegations on page 3, "that this is a controversy or suit in equity arising under the patent laws of the United States." If the allegations be sufficient to charge *primary* or actual infringement of the patents on the part of the Seng Company, they are equally sufficient to charge *contributory* infringement on the part of the defendants.

Certainly, the unauthorized, wrongful and illegal use, manufacture and sale of the *licensed* devices themselves, in a manner *contrary* to the license, under conditions precedent to any right to manufacture or sell at all, and the use of the *reserved* portions of the patent monopoly, for which no license was granted, in and of themselves, constitutes infringing acts. There is, therefore, an illegal use of all of the claims of complainant's patents, growing out of the unauthorized, wrongful and illegal manufacture and sale, irrespective of whether or not the substitute or competing devices are technical infringements of the patents. The sale of the *licensed* devices in a *prohibited* way is infringement, and the sale of the prohibited devices, contemporaneously and therewith, to the complainant's customers and to the general manufacturing trade, may be considered as simply a circumstance which illustrates, proves and establishes the infringement. Mechanical com-

parisons for technical infringement of claims have no bearing, where the parties have agreed as to what may and what may not be sold under the patents. Sales outside of a fixed licensed territory, which would plainly be illegal, are no more illegal than any other prohibited sales. Such sales outside of the licensed territory would be plainly infringements, and in that case, as in the case at bar, the claims of the patents are immaterial, for in both cases it is an *illegal use of all the patent claims*, in that the use is wholly *prohibited* by the *agreement* of the parties, which, if not contrary to law, fixes their rights and settles the question.

Aside from the fact that by the construction which the parties themselves have placed on the patents under which the license was given, by which they are made to cover either "any infringing *or* any similar devices," direct infringement consists, as already suggested, in selling licensed devices *concurrently* with *competing* devices, which the Seng Company had agreed not to do; and the selling of licensed devices to those engaged in the manufacture or use of *similar* devices, which was prohibited; and the manufacture, use or sale of licensed devices without the prerequisite—the faithful performance of the covenants of the license—is an unauthorized use of the reserved portions of the monopoly.

If it be urged on behalf of the defendants that the *manufacture* by the Seng Company of the competing devices was an act separate from and independent of the manufacture of the licensed devices, any possible independence disappears when we consider the *selling* of the licensed devices to the general trade, and especially to those who are engaged in the manufacture or use of *similar* devices. The complainant originally controlled the entire selling rights in the patented devices, and hence it had the right to license the Seng Company to sell the licensed devices only in accordance with the *designated*

scheme of selling, and any invasion of a reserved domain by selling in violation of such plan, and in accordance with some *other scheme*, would necessarily involve an infringement of the complainant's patents.

It is plain that the complainant might have imposed many different restrictions in respect to the *selling* scheme in the license to the Seng Company. It might have imposed restrictions to maintain the price (on the contrary, the restriction as to price was a maximum, not a minimum)—or as to the territory in which the Seng Company could manufacture and sell, or as to the manner of conducting agencies, or as to whether it should sell to the wholesale or retail trade. The reports abound in decisions upholding the right of the patentee to maintain an infringement suit against the licensee who violates selling provisions such as those mentioned above. The bill clearly alleges violation of the *selling* provisions of the contract, and the illegal use of those portions of the monopoly reserved to the complainant in its allegations of sales of the licensed devices along with the competing and substitute devices, to the customers of the complainant, and to the general manufacturing trade.

In the present case, provisions equally important, equally significant, and equally involved in the *selling* right, which emanates from the patents as a part of the monopoly secured by them, were incorporated into the license and were only given to the Seng Company, "provided that the party of the third part shall faithfully perform the covenants hereinafter contained." Among these may be mentioned that, according to the contract, the licensed fixtures should be sold on a non-competitive basis, and should be sold only in accordance with a specified selling scheme, which included as its *principal factor* freedom from *internal competition*. To say that the *selling* of the prohibited competing devices at all is

an act independent of the exercise of the selling rights which emanated from the complainant's patents, is fallacious, and tends to establish standards which are entirely incompatible with the requirements of the contract, as well as of justice and honest business and commercial dealings.

Among these provisions also was one that the Seng Company should not sell said licensed fixtures to "any manufacturer engaged in the manufacture or sale of sofa beds or sofa bed frames, or fixtures of similar or infringing nature after notice," etc. This provision of the contract imposes a definite limitation as to the legitimate *market* to which the Seng Company was authorized to sell or supply the fixtures licensed under the complainant's patents. Obviously, any sales knowingly made to manufacturers who were using *competing* fixtures of "similar or infringing nature" is a prohibited and infringing sale of the *particular* devices covered by the complainant's patents under which the Seng Company was licensed. And, of course, when the Seng Company was selling *both* kinds of fixtures to the same manufacturer or customer, it knew that it had no right, by the terms of its agreement, to sell them the licensed fixtures which it had agreed that it would not sell them, under such circumstances.

Irrespective, therefore, of the question as to whether or not the making and selling by the Seng Company of prohibited competing devices is an act which serves to withdraw the protection afforded by the license in respect to the manufacture and sale of *all* of the licensed type of fixtures made by the Seng Company, as we contend, there can be no question but that the sale of *some* of such fixtures to a *prohibited* class of manufacturers constituted an unlawful and infringing sale of such particular fixtures. The bill charges sales of this kind under the most aggravating and unconscionable circumstances.

Paragraph eight of the bill, at page 5, recites the clause of the contract previously quoted respecting this selling prohibition. Paragraph nine of the bill, at page 6, after outlining the substance of this provision, states that it was one of the provisions or "special considerations" which *induced* the complainant to grant the Seng Company "special rates of royalty" in the making of the contract. Paragraph eleven, at page 7, alleges that the defendants herein—all of them, including the West Virginia corporation—with full knowledge of the provision in question, "induced, procured and persuaded the party of the third part to said license contract, the Seng Company, to enter into another license contract with them, one or all, and with *customers of your orator*, not parties to said license contract of December 12, 1904, wherein and whereby the said party of the third part to said contract of December 12, 1904, the Seng Company, was induced, procured and persuaded to manufacture, promote and sell, in violation of the covenants, provisions, conditions and restrictions of said license contract of December 12, 1904, to the general manufacturing trade, devices, fixtures or frames for sofa beds or davenport beds *similar to* and used as *substitutes for* and in *competition* with the (licensed) devices and fixtures, which (substitute and competing fixtures) it, the Seng Company, had agreed, in and by said license contract of December 12, 1904, not to manufacture or sell." None of these allegations of the bill are disputed, and, by the motions to dismiss, are admitted to be true.

There is, therefore, in the bill, a general allegation that the Seng Company was induced and persuaded by the defendants to supply competing or substitute fixtures to "customers" buying the licensed type of fixtures, and this in manifest conflict with the provisions of the contract previously alleged in the bill, which precluded the Seng Company from selling the licensed fixtures to the *same customers* who were purchas-

ing or using the competing fixtures and to "use its best endeavors by all the usual recognized commercial means, such as advertising and personal solicitation, to promote the demand for and the sale of said fixtures by and to the general manufacturing trade."

If an infringement suit may be invoked to protect the patentee against a licensee who sells the licensed devices at a lower price than he had agreed to sell at, as has been held, we submit that the same remedy is enforceable against a licensee who, while in the enjoyment of his licensed selling rights, embarks upon a course of dealing which utterly disrupts the entire scheme of selling embodied in the license, and which immediately and fatally impairs the value of the patent monopoly and the trade reputation of the licensed devices. In short, we submit and insist that the acts of the Seng Company cannot be defended on the ground that the restrictions as to the selling of the similar, competing or substitute devices were not a component factor in the right to make and sell licensed devices, since the right to sell the licensed devices was predicated upon the covenant to *refrain* from selling the competing devices, and since the selling of the competing devices necessarily affects the selling of the licensed devices.

And not the least important factor in the determination of the wrongful acts of the Seng Company is to be found in the violation of the contract, where the Seng Company agreed, in the most positive and comprehensive terms, to use its "best endeavors" to promote the demand for and the sale of the licensed devices by and to the general manufacturing trade. "Best endeavors" surely comprehend all rightful means that lay within its power. Certainly an act by the Seng Company which directly *lessens* the sale of the licensed devices, which voluntarily and for its own greater profit *prevents* it from being able to faithfully perform its covenant—which act, be-

ing the creation of a competitive industry, the proselyting of established customers for the complainant's devices, and the creation of the conditions among manufacturers which would prevent the selling to them of the licensed devices—is not only bad faith and failure to promote the industry entrusted to it exclusively, but is destroying the industry which it agreed to guard, defend and promote—means the ruination of the value of the patent monopoly itself, instead of using its “best endeavors” to build it up. Carried to its end, if these acts are allowed to continue, it deprives the complainant of the whole monopoly and enables the Seng Company to reduce the sales of the licensed devices until the large industry set forth in paragraph twenty-four of the bill, at page 15, and particularly in paragraph twenty-seven, at page 16, is entirely wiped out and destroyed, and still prevent the complainant from enforcing its patent monopoly.

Especially is this indefensible when we reflect that, as explained in paragraph twenty-five of the bill, at page 15, the complainant, after it had granted the exclusive license to the Seng Company to manufacture and sell the fixtures to the manufacturing trade, and “relying entirely upon the faithful performance of the covenants and provisions contained in said license contract,” had itself withdrawn from the business of manufacturing and selling, which, as explained in paragraph sixteen, “involved a heavy financial loss,” and that in order to assist the Seng Company and to build up its manufacturing business, the complainant had “spent large sums of money in the promotion, through the Seng Company, of the sale of fixtures or devices covered by the patents enumerated and in the protection of said patents from infringements.” Thus the complainant had withdrawn from the business, and did what it could to assist the Seng Company in creating and enjoying the business

which it is now destroying at the instigation, persuasion and procurement of the defendants.

Nor is the conduct of the defendants, in persuading, procuring and inducing the Seng Company to enter upon and to pursue the course of infringing conduct, less reprehensible than is that of the Seng Company itself. They were joint licensors with the complainant. They were enjoying one-half of the rewards and returns secured under the contract in the nature of royalties. They occupied a position of a *quasi fiduciary* nature toward the complainant. They were under a joint obligation to co-operate with the complainant in preserving and building up the business created under the license. Instead of doing so, however, they are shown by the bill to have entered into a contract with the Seng Company to manufacture the similar, substitute and competing devices, and to sell them to the customers of the complainant's licensed devices, in place of the licensed devices, so that they would secure the entire royalty on this supplanting business, instead of half of the royalty on the legitimate business created under the contract. By this separate contract with the Seng Company the complainant has been betrayed and its business damaged and threatened with ruin and extinction. The twenty-seventh paragraph of the bill, at page 16, shows that since the license contract was entered into the business had grown to more than one hundred and forty thousand (140,000) sets of the licensed fixtures sold per year, resulting in the sale of more than six hundred thousand (600,000) sets of the fixtures since the license contract was made. And in the twenty-fourth paragraph, at page 15, the bill shows that, through the inducement, procurement and persuasion of the defendants, the sale of the competing and substitute fixtures had sprung up and grown to be at least four thousand (4000) sets per month, and that the sale of the complainant's fixtures had decreased during the year 1912 to more than forty-four thousand

(44,000) sets, imposing a loss upon the complainant of more than ten thousand dollars (\$10,000). And all this is admitted by the motions to dismiss! Surely such consequences as these should be prevented, if a way can be found. We submit that that way is pointed out in the bill—the remedy of an infringement suit against the infringers of the complainant's patents—whether the actual and primary infringers or the contributory infringers who bring it about, and who are thereby joint tort feorsors.

The Specific Performance of the Contract for the Assignment of Patents.

The second cause of action is set out under the third heading or chapter of the bill, beginning at page 17, and relates to the specific performance of the twenty-fifth paragraph of the contract of December 12, 1904, at page 37, wherein the defendants agreed to assign any patents that they might produce or acquire covering improvements on the Karpen and Weyer patents of a patentable nature, and which paragraph of the contract the defendants are alleged to have disregarded. It is shown in paragraph thirty-one, at page 19 of the bill, that the defendants have procured some seventeen (17) patents, which the bill alleges come within the provisions of the twenty-fifth paragraph of the contract, and which the defendants should have assigned in accordance with its requirements. The thirty-second and thirty-third paragraphs of the bill, at page 20, allege that the defendants keep the complainant in ignorance of these patents, although the twenty-fifth paragraph of the contract required the defendants to inform the complainant of them and to assign them to it. As appears from the thirty-fourth and thirty-fifth paragraphs of the bill, at pages 20 and 21, these patents have been made the foundation for the competing business that the Seng Company has been induced by the defendants to enter upon. The

thirty-fourth paragraph alleges that the defendants "have granted certain licenses or shoprights to the Seng Company, the Naperville Lounge Company, and others, under said letters patent and applications for letters patent"; and the thirty-fifth paragraph alleges that they were "purposely, wilfully and deliberately withheld from being submitted to your orator and assigned to it, for the purpose of enabling the defendants to enter into a separate contract or agreement between themselves and others for their mutual financial profit and benefit, and to the exclusion of your orator, for the manufacture and sale of devices and fixtures in competition with and as substitutes for those licensed in the said contract of December 12, 1904, and thereby enable the defendants, and each and all of them, to disregard and evade their duties and obligations under said license contract, and to enter upon a course of dealing that would enable them to realize and retain the profits resulting from the manufacture and sale of such inventions and improvements, to the exclusion of your orator from any share or participation therein, and to deprive it from any share or participation in the royalties, profits, benefits and advantages that they expected to accrue and receive, and which have accrued and been received by them from the manufacture and sale thereof, and thus avoid and escape any payment of royalties which would accrue and be payable to your orator, if the inventions and improvements of said patents and applications for patents had been assigned to your orator and brought under the terms and provisions of the said license contract of December 12, 1904, as under the provision of said contract they should have been." And these allegations of the bill stand admitted as true by the motions to dismiss!

While the second cause of action explained above would not in and by itself, as we take it, enable the complainant to maintain a suit against the Karpen West Virginia corporation in

the Northern District of Illinois, yet, if the court have jurisdiction on the ground of patent infringement, then under Equity Rule 26 this cause of action may be joined in a suit in which the court has jurisdiction of *all* of the defendants, inasmuch as a bill on this ground alone against the West Virginia corporation would have to be filed in the Federal Court in West Virginia, where no jurisdiction could be had over the Illinois corporation, or Solomon Karpen; and as all of the defendants are alleged, in paragraph thirty-one, at page 18, to be interested in the title of the patents or otherwise, it would probably be impossible, in one suit on this cause of action alone, either in West Virginia against the Karpen West Virginia corporation, or in Illinois against the Karpen Illinois corporation and Solomon Karpen, to secure complete relief as to all of the interests in the patents. For this reason, the complainant has joined this cause of action in the infringement suit, where jurisdiction can be had of all of the defendants in one suit, in accordance with the provision of Rule 26, which says that "The plaintiff may join in one bill as many causes of action, cognizable in equity, as he may have against the defendant."

Conclusion.

It is submitted that the allegations of the bill, which stand undisputed and admitted, exhibit a plain case of actual or primary infringement of the complainant's patents, on the part of the Seng Company, and a plain case of contributory infringement, on the part of the defendants, in instigating, persuading and inducing the Seng Company to infringe, and that the jurisdictional requirements of Section 48 of the Code, in reference to jurisdiction in patent cases, have been fully met and complied with.

In view of the fact that the District Court dismissed the complainant's bill for want of jurisdiction, and of the fact that the Court of Appeals for the Seventh Circuit dismissed the appeal "for the reason that such appeal should have been taken, under Section 238 of the New Federal Judicial Code, to the Supreme Court of the United States, instead of to this court," the present appeal to this court should be entertained, and the sufficiency of the allegations of the bill, to confer jurisdiction and to entitle the complainant to the relief prayed, found and announced by this court.

THOMAS A. BANNING,
For Appellant.

SAMUEL WALKER BANNING,
Of Counsel.
CHICAGO, November 16, 1914.

Office Supreme Court, U. S.

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JAMES D. MAHER

CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1914.

No. 496

GENEVA FURNITURE MANUFACTURING COMPANY,
Complainant-Appellant,
vs.

S. KARPEN & BROS., AN ILLINOIS CORPORATION, S. KARPEN
& BROS., A WEST VIRGINIA CORPORATION, AND SOLOMON
KARPEN,
Defendants-Appellees.

APPEAL FROM NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.
HON. GEORGE A. CARPENTER, JUDGE PRESIDING.

BRIEF AND ARGUMENT FOR APPELLEES.

LEVY MAYER,
ISAAC H. MAYER,
JOHN H. LEE,
PHILIP C. DYRENFORTH,
Solicitors for Appellees.



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Defendants-Appellees.

APPEAL FROM NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.
HON. GEORGE A. CARPENTER, JUDGE PRESIDING.

STATEMENT OF THE RECORD.

MAY IT PLEASE THE COURT:

The bill of complaint herein was brought by the Geneva Furniture Manufacturing Company, a New York corporation, against S. Karpen & Bros., a West Virginia corporation (hereinafter referred to as the West Virginia corporation), S. Karpen & Bros., an Illinois corporation (hereinafter referred to as the Illinois corporation), and Solomon Karpen, a citizen of Illinois.

The bill alleges (Rec., 3*) that the suit is one arising under the patent laws of the United States, and that it

*Note: Record references are to the Printed Record.

is also one between citizens of different states in which the matter in controversy exceeds, exclusive of interest and costs, the sum or value of \$3,000.

The West Virginia corporation (Rec., 49) entered its special appearance, and filed a motion to dismiss the bill as to it for want of jurisdiction over its person, on the ground that no case under the patent laws was stated in the bill of complaint, and that, as neither it nor plaintiff was a resident and citizen of the State of Illinois, the bill could not, over its objection, be retained as to it.

The Illinois corporation and Solomon Karpen (Rec., 51) also entered their special appearance, and filed a motion to dismiss the bill. In their motion they did not state that, as between them and plaintiff, there was not the requisite diversity of citizenship to give the court jurisdiction, or that as between them and the plaintiff the suit was not brought in the proper district, but they averred, *inter alia*, that the West Virginia corporation refused to submit itself to the jurisdiction of the District Court of the United States for the Northern District of Illinois; that the West Virginia corporation was an indispensable party, and that, therefore, the suit could not be proceeded with in its absence.

The District Court sustained both motions and entered an order on November 3, 1913 (Rec., 53)—

“that said motions be, and the same hereby are granted and allowed; and it is further hereby ordered, adjudged and decreed that the above cause be and the same is hereby dismissed for want of jurisdiction.”

Plaintiff thereupon, on December 23, 1913, prayed and was allowed an appeal to the Circuit Court of Appeals for the Seventh Circuit. Plaintiff there sought to review the question as to whether or not the bill showed a cause of action arising under the patent laws so as to

give jurisdiction over the person of the West Virginia corporation.

A motion was made (Rec., 61) by the defendants (appellees in the Court of Appeals) to dismiss the appeal on the ground that such an appeal should have been taken directly to this court, and on April 14, 1914, the motion was granted.

Upon the filing of the mandate, plaintiff prayed an appeal from the District Court directly to this court on April 24, 1914, and requested the District Court (Rec., 69) to issue a certificate of the question of jurisdiction.

When plaintiff requested a certificate of jurisdiction, plaintiff itself, by that action, raised the point that there were two separate and distinct jurisdictional questions involved, namely, that (a) the West Virginia corporation's motion to dismiss presented the question of the jurisdiction of the federal court, *as such*, and that (b) the motion of the Illinois defendants raised a question of general equity jurisdiction (*Bogart v. Southern Pacific Co.*, 228 U. S., 137), and that, therefore, a certificate of jurisdiction was required in order to confer jurisdiction upon this court. (*Chappell v. U. S.*, 160 U. S., 499, 507, 508; *Courtney v. Pradt*, 196 U. S., 89; *Apapas v. U. S.*, 233 U. S., 587, 589.)

The District Court, however, as counsel concede (Br., 3), refused to certify the question of jurisdiction, as the term had passed at which the decree appealed from was rendered. This action was clearly proper. (*Colvin v. Jacksonville*, 158 U. S., 456.)

BRIEF.

I.

THE BILL OF COMPLAINT SHOWED NO CASE UNDER THE PATENT LAWS, AND THE DISTRICT COURT THEREFORE HAD NO JURISDICTION, INASMUCH AS AN INDISPENSABLE DEFENDANT WAS SUED, OVER ITS PROTEST, OUTSIDE OF THE DISTRICT OF EITHER ITS, OR PLAINTIFF'S RESIDENCE.

- (a) A BILL FOR SPECIFIC PERFORMANCE OF A CONTRACT CONCERNING AN INTEREST IN A PATENT IS NOT COGNIZABLE IN A FEDERAL COURT IN THE ABSENCE OF THE REQUISITE DIVERSITY OF CITIZENSHIP.

Henry v. Dick, 224 U. S., 1, 15.

Pratt v. Paris Gas Light & Coke Co., 168 U. S., 255, 256.

New Marshall Co. v. Marshall Engine Co., 223 U. S., 473.

- (b) THE DEFENDANTS ARE CHARGED AS CONTRIBUTORY INFRINGERS OF PLAINTIFF'S PATENT MERELY BECAUSE THEY INDUCED LICENSEES THEREOF TO BREAK PROVISIONS IN THE LICENSE AGREEMENTS NOT TO DEAL IN DEVICES WHICH WERE "SIMILAR" TO PLAINTIFF'S PATENTED DEVICES. SUCH A CHARGE SHOWS ONLY A BREACH OF CONTRACT AND NOT A SUIT UNDER THE PATENT LAWS, AS THE "SIMILAR" DEVICES ARE NOT ALLEGED TO BE INFRINGING DEVICES.

Henry v. Dick Co., 224 U. S., 1, 15, 16.

Excelsior Wooden Pipe Co. v. Pacific Bridge Co., 185 U. S., 282.

Chadeloid Chemical Co. v. Johnson, 203 Fed., 993.

See, also:

Bauer v. O'Donnell, 229 U. S., 1.

Bobbs-Merrill Co. v. Straus, 210 U. S., 339.

- (c) WHERE THERE IS NO INVASION OF THE RESERVED PATENT DOMAIN, AN EXISTING LICENSE BARS AN INFRINGEMENT SUIT.

Hartell v. Tilghman, 99 U. S., 547.

Wilson v. Sanford, 10 How., 99.

Chadeloid Chem. Co. v. Johnson, *supra*.

Comptograph Co. v. Burrough, 175 Fed., 787 (C. C. affd. 183 Fed., 321).

- (d) THE ALLEGATION IN THE BILL THAT THE LICENSEES ARE INFRINGERS AND THAT THE DEFENDANTS CONTRIBUTED TO SUCH INFRINGEMENT, IS A MERE CONCLUSION OF THE PLEADER, AND THEREFORE IS INSUFFICIENT TO SUSTAIN FEDERAL JURISDICTION.

Brown v. Keene, 8 Peters, 112, 115.

Grace v. American Cent. Ins. Co., 109 U. S., 278, 283.

Hanford v. Davies, 163 U. S., 273, 279, 280.

II.

THE DISTRICT COURT DID NOT, UNDER ANY CIRCUMSTANCES, HAVE JURISDICTION TO ENTERTAIN THAT PART OF THE BILL SEEKING SPECIFIC PERFORMANCE, BECAUSE THE COURT COULD NOT ACQUIRE JURISDICTION OVER AN INDISPENSABLE DEFENDANT.

- (a) WHERE A BILL IS BROUGHT FOR SPECIFIC PERFORMANCE OF A CONTRACT, AND THERE IS JOINED THERETO AN ALLEGED CAUSE OF ACTION FOR INFRINGEMENT OF PATENT, THE DISTRICT COURT CAN NOT RETAIN JURISDICTION OF THE CAUSE OF ACTION FOR SPECIFIC PERFORMANCE, IN THE ABSENCE OF THE REQUISITE DIVERSITY OF CITIZENSHIP,—

- (1) IF THE ALLEGED CAUSE OF ACTION FOR INFRINGEMENT FAILS,

Leschen Rope Co. v. Broderick, 201 U. S., 166.

Elgin Watch Co. v. Illinois Watch Co., 179 U. S., 665.

(2) OR EVEN IF THE ALLEGED CAUSE OF ACTION FOR INFRINGEMENT IS SUSTAINED.

Standard Paint Co. v. Trinidad Asphalt Co., 220 U. S., 446, 460.

St. Louis Flushing Machine Co. v. Standard Street Flushing Co., 161 Fed., 725 (8 C. C. A.).

National Casket Co. v. New York, etc., Casket Co., 185 Fed., 533 (C. C. N. Y., 1911).

Johnson v. Brass Co., 201 Fed., 368 (D. C. N. Y., 1912).

King Co. v. Inlander, 133 Fed., 416 (C. C., Ill., 1902).

Meckey v. Grabowski, 177 Fed., 591 (C. C., Pa., 1910).

Keasby & Mattison Co. v. Cary Co., 113 Fed., 432 (C. C., N. Y., 1901).

Cushman v. Atlantis Fountain Pen Co., 164 Fed., 94 (C. C., Mass., 1908).

Woerheide v. Johns-Manville Co., 199 Fed., 535 (D. C., Pa., 1912).

(3) EQUITY RULE 26 DOES NOT AND WAS NOT INTENDED TO AFFECT THIS QUESTION.

Vose v. Roebuck Co., 210 Fed., 687; s. c., 216 Fed., 523, 525 (D. C. N. Y., 1913).

Marconi Wireless Telegraph Co. v. Nat. E. S. Co., 206 Fed., 295, 300 (D. C. N. Y., 1913).

Electric Boat Co. v. Lake Torpedo Boat Co., 215 Fed., 377 (D. C. N. Y., 1914—five cases).

ARGUMENT.

I.

THE BILL OF COMPLAINT SHOWED NO CASE UNDER THE PATENT LAWS, AND THE DISTRICT COURT THEREFORE HAD NO JURISDICTION, INASMUCH AS AN INDISPENSABLE DEFENDANT WAS SUED, OVER ITS PROTEST, OUTSIDE OF THE DISTRICT OF EITHER ITS, OR PLAINTIFF'S RESIDENCE.

The bill consists of three parts. Part FIRST (Rec., 4-10) seeks to hold defendants as contributory infringers simply because, it is charged, they induced the Seng Company (an Illinois corporation not made a party to the suit), a licensee under plaintiff's patents, to violate its agreement that it would promote the sale of plaintiff's patented devices, and would not compete with plaintiff to the extent of manufacturing devices similar to plaintiff's. While part FIRST of the bill refers to a number of other covenants on the part of the Seng Company in its license agreement, still, as we shall hereafter show, the bill does not charge any violation thereof. It is not alleged in any part of the bill, nor does plaintiff's counsel contend that the similar devices were infringing devices. Part SECOND (Rec., 10-17) of the bill, contains similar allegations with respect to defendants' dealings with the Naperville Lounge Company, an Illinois corporation (not a party to the suit) which had a license from plaintiff under an agreement (Exhibit "C," Rec., 42) somewhat similar to the agreement with the Seng Company. Part THIRD of the bill (Rec., 17-22) alleges that the Illinois and West Virginia corporations, together with the absent Seng Company, agreed to convey to plaintiff any improvements on plaintiff's patents which they might produce or acquire, and that the

Illinois and West Virginia corporations acquired such improvements but refused to convey them to plaintiff, wherefore plaintiff seeks a decree compelling the defendants to convey such new patents to plaintiff.

It may also be observed at this point that The Seng Company did not absolutely agree not to engage in competition with the plaintiff, but that The Seng Company only agreed not to engage in competition with the plaintiff "to the extent of manufacturing any *infringing* or any *similar* devices, fixtures, sofa beds, or sofa bed frames on its own account or for others." (Rec., 33.)

It is well settled that a bill for specific performance of a contract concerning an interest in a patent is not cognizable in a Federal court, in the absence of the requisite diversity of citizenship. The statutes give Federal jurisdiction over "cases," and not over "questions" arising under the patent laws. *Henry v. Dick*, 224 U. S., 1, 15; *Pratt v. Paris Gas Light & Coke Co.*, 168 U. S., 255, 260; *New Marshall Co. v. Marshall Engine Co.*, 223 U. S., 473.

We agree with counsel's statement (Brief, pp. 6, 7) as to the effect of the decision of this court in *The Fair v. Kohler Die Co.*, 228 U. S., 22, viz: that the question as to whether this is a case arising under the patent laws must be determined from the allegations of the bill. In that case, however, as in the case of *Hartell v. Tilghman*, 99 U. S., 547, hereinafter referred to, this court held, in effect, that the bill must show a real, or substantial ground of reliance on the patent laws, and not merely the outward appearance of an infringement suit to conceal an action which is really based exclusively upon a breach of contract. Moreover, in the *Fair* case, it is to be observed that, inasmuch as the Circuit Court there took jurisdiction of a bill making at least a colorable

claim of Federal right, this court did not look into the merits of the bill, whereas, in cases where the Circuit Court *declined*, under similar circumstances, to take jurisdiction, this court examined into the merits.—*The Steamship Jefferson*, 215 U. S., 130; *The Ira M. Hedges*, 218 U. S., 264; *Mitchell Coal Co. v. Pa. R. R. Co.*, 230 U. S., 247; *Natl. Coal Co. v. C. & N. W. R. R. Co.*, 211 Fed., 65 (7th C. C. A., 1914).

An examination of the agreements, made exhibits to the bill, together with the allegations with respect thereto, will disclose that the breaches complained of refer merely to *the consideration* for the granting of plaintiff's license, and do not disclose any invasion of any reserved patent domain.

Exhibit "A" to the bill (Rec., 28) is a contract entered into December 12, 1904, between complainant, the corporate defendants and the Seng Company.

Clause 7 of that contract is as follows:

"Said party of the third part (the Seng Company) shall have the exclusive right, upon the payment of royalties, as hereinafter provided, to make and sell to the manufacturing trade the fixtures of the Karpen and Weyer patents (now known as metal fixtures) for use by the trade in the manufacture of sofa beds and sofa bed frames; provided that the party of the third part shall faithfully perform the covenants hereinafter contained."

Clause 8 provides:

"It is understood that the party of the third part (Seng Co.) shall not sell said fixtures to any manufacturer engaged in the manufacture or sale of sofa beds or sofa bed frames, or fixtures of similar or infringing nature, after notice shall be brought to said third party of such manufacture or sale of similar or infringing devices. * * *"

Clause 9:

The Seng Company agrees to manufacture all fixtures

in a good and workmanlike manner and in quantities equal to the demands of the other parties and of the general manufacturing trade, and that

"it will use its best endeavors by all of the usual recognized commercial means, such as advertising and personal solicitation, to promote the demand for and sale of said fixtures by and to the general manufacturing trade."

Clause 10: The Seng Company shall not cause

"such fixtures to be used and sold in sofa beds and sofa bed frames, except as specified in this contract and upon the payment of royalties as hereinafter provided."

Clause 11: The Seng Company agrees that it will not

"engage in competition with the parties of the first and second parts (that is, the plaintiff and the Illinois and West Virginia corporations) *to the extent* of manufacturing either any infringing or any similar devices, fixtures, sofa beds or sofa bed frames, on its own account, or for others."

Clause 18:

"The party of the third part shall not, either directly, or indirectly, use said inventions, or any of them, otherwise than in accordance with this license, and shall at no time dispute the validity of any of the above enumerated patents."

Clauses 19, 20: Provide that the license may, in case of default, be terminated as to the Seng Company by written notice.

Clause 25: Provides for an assignment to plaintiff of improvements on plaintiff's patents produced or acquired by either of the corporate defendants, or the Seng Company.

Clause 29: Provides against forfeiture of the Seng Company's license without notice, or where failure to keep covenants is unavoidable.

Exhibit B to the bill (Rec., 39) is a contract supplementing Exhibit A, and was entered into to settle certain disputes which had arisen under Exhibit A, and to bring under the terms of that exhibit certain other patents.

In Exhibit C to the bill (Rec., 42) the plaintiff gave permission to the Seng Company to sell certain of the patented devices to the Naperville Lounge Company, an Illinois corporation (not a party to the suit), and also to the Binghamton Lounge Company, a New York corporation (not a party to the suit); and the Naperville Company and the Binghamton Company agreed that they would not—

(1) “sell the sofa bed fixtures or devices herein referred to, it being understood and agreed that the use of these fixtures or devices is limited wholly to the manufacture and sale of completed sofa beds and completed frames,” or

(2) “use the said inventions, or any of them, or any part thereof, otherwise than in accordance with this contract, and shall at no time during the life of this contract dispute the validity of any of the above enumerated patents,” or

(3) “engage in competition with the party of the first part (plaintiff) during the life of the contract to the extent of manufacturing any infringing or similar fixtures or devices, sofa beds, or sofa bed frames, for its own account or for others, hereby agreeing to purchase, during the life of this contract, all fixtures or devices for the manufacture of sofa beds, from the party of the first part through the Seng Company of Chicago, Illinois.”

Plaintiff, in effect, concedes (Br., bot. pp. 41, 42) that the decree of the District Court must be affirmed, if the present case is not one arising under the patent laws of the United States, so that service under Section 48 of the Judiciary Act could be had upon the West Virginia corporation in any district in which it may have committed acts of infringement, and have a regular and established place of business.

It is therefore unnecessary, even if this court had the power, on this appeal, to consider the question, to point out the many reasons showing that the West Virginia Company is an indispensable party. It is manifest that if jurisdiction cannot be grounded on the patent laws, then, in the absence of an indispensable party, the suit cannot be maintained even as against the Illinois defendants.

Before jurisdiction of the District Court can be supported under Section 48 of the New Judicial Code, it must appear that the Seng Company is guilty of infringing plaintiff's patents, and also that the defendants induced such infringement. A critical examination of the bill will disclose the absence of allegations of fact showing either a primary, or a contributory infringement. True, the bill does, in words, allege both types of infringements, but those allegations, as we shall show, are merely conclusions of the pleader, and find no support in any allegations of fact.

Notwithstanding plaintiff's persistent effort to read into the bill allegations of actual infringement by the Seng Company, and of contributory infringement with respect thereto by defendants, nevertheless, we confidently submit, the allegations of fact in the bill are limited to charging the Seng Company with improperly selling similar devices which compete with plaintiff's patented devices, and the only charge against defendants is that they persuaded the Seng Company so to do. This is true not only as to the Seng Company, but also as to the Naperville Company.

The entire theory of the bill is based upon the improper sale of similar (not infringing) devices, and the consequent diminished sale of the licensed devices.

The bill does not charge, as plaintiff would apparently

have this court believe (Br., 28-33), that the Seng Company ever sold *the licensed devices* to any concern which was, *at the time of the sale*, "engaged in the manufacture or sale" of the similar devices. In other words, the Seng Company is not charged with a sale of the *licensed* devices to a prohibited class, nor does the bill charge the defendants with having persuaded the Seng Company to sell the licensed devices to a prohibited class. A sale of *similar* devices, in violation of the contracts, presents an entirely different question from a sale of the *licensed* articles to a prohibited class. The former, we submit, constitutes merely a breach of contract, and presents no case of patent infringement. The following allegations in the bill, are, we believe, all that pertain to this question:

Paragraph 11 (Rec., 7, 8) merely charges an improper sale and manufacture, at defendants' inducement, of the similar devices, and makes no charge that the licensed article is being sold to a prohibited class. This is further emphasized by Paragraph 12 of the bill (Rec., 8) which specifies the names under which the licensed and the similar fixtures were known.

Paragraph 13 of the bill (Rec., 8) also complains only of the fact that defendants have induced the Seng Company to manufacture and sell similar fixtures, and it is significant that the bill charges that by reason *thereof* plaintiff has sustained irreparable damage.

The first reference in the bill to any improper sale of *licensed* devices, either with, or without defendants' inducement, is found in paragraph 14 (Rec., 9). The allegation there found to the effect that the sale of licensed fixtures is in violation of plaintiff's patent rights, is, however, merely a conclusion of the pleader and is unsupported by any allegation of fact. Moreover, even if

the allegation in that paragraph be treated as one of fact, it does not appear therefrom that the Seng Company was selling licensed fixtures to a prohibited class.

The allegation in that paragraph that the sale by the Seng Company of licensed devices and similar devices to plaintiff's customers for licensed devices violates plaintiff's patent rights, is by no means the equivalent of an allegation that the Seng Company was actually selling both devices to the same person. The allegation is consistent with a sale by the Seng Company of similar devices to some of plaintiff's customers, and of licensed devices to others.

It must be remembered that we are considering the proper interpretation of allegations on which plaintiff is relying as the basis for the jurisdiction of the District Court.

As was said by Mr. Chief Justice Marshall in *Brown v. Keene*, 8 Pet., 112, 115:

"The decisions of this court require, that the averment of jurisdiction shall be positive, that the declaration shall state expressly the fact on which jurisdiction depends. It is not sufficient that jurisdiction may be inferred argumentatively from its averments."

It is equally well settled by this court that, as the jurisdiction of the District Court is limited to that conferred upon it,

"The presumption is that a cause is without its jurisdiction unless the contrary affirmatively appears."

Grace v. Am. Central Ins. Co., 109 U. S., 278, 283.

In the case last cited there was an allegation in the petition for removal,

"that there is, and was at the time when this action was brought, a controversy therein between citizens of different states."

In speaking of that allegation the court said at page 284:

“But that is to be deemed the unauthorized conclusion of law which the petitioner draws from the facts previously averred.”

These principles apply not only to cases invoking the jurisdiction of the District Court because of diversity of citizenship, but also to cases arising under the constitution and laws of the United States.

Hanford v. Davies, 163 U. S., 273, 279, 280.

Nor does paragraph fourteen of the bill contain any charge which can be interpreted as an allegation of fact that the defendants induced the Seng Company to sell licensed fixtures to a prohibited class. The Seng Company not having been guilty of any primary infringement, it follows, as of course, that the defendants could not be guilty of any contributory infringement. Indeed, the entire gravamen of the complaint is that the defendants are inducing the Seng Company *not to sell* the licensed devices.

While there are allegations showing that the Seng Company is engaged in supplying the Naperville Company with similar fixtures, there is not, even as to the Naperville Company, any allegation that the Seng Company is now selling licensed devices to the Naperville Company.

Plaintiff, however, argues (Br., pp. 24, 25) that the SECOND part of the bill charges that The Seng Company was unlawfully selling the Naperville Company the licensed fixtures. This argument is based upon the proposition that *the plaintiff* obligated itself by Exhibit C to furnish, through The Seng Company, to the Naperville Company, a minimum of 75,000 sets of the licensed devices for a period of three years ending November 30, 1914. As a matter of fact, there is no *obligation* on the

part of the plaintiff, either through The Seng Company or otherwise, to furnish the Naperville Company with any of the licensed devices.

It is to be observed that the Naperville Company, as it acquired or purchased fixtures from The Seng Company, required no licence from plaintiff; and, as a matter of fact, Exhibit C really amounts only to permission to The Seng Company to sell at a reduced price.

But, if plaintiff had been obligated to sell the licensed devices to the Naperville Company, through The Seng Company, then The Seng Company, in making such sales, would be acting merely as the agent of plaintiff, and such sales could not be regarded as an infringement of plaintiff's patents. The only wrong that The Seng Company, in such event, would be perpetrating would consist of its sale of the similar devices.

Again, even if plaintiff, or The Seng Company, had been under an obligation to sell, it would not follow that The Seng Company actually made any sale. Plaintiff can not, in order to establish jurisdictional facts, rely upon any presumption that a sale has, in fact, been made, even assuming that there was an obligation to sell.

In this same connection, plaintiff also relies on Paragraph 9 of Exhibit A, wherein The Seng Company agrees to manufacture the licensed devices in sufficient numbers to supply the demands of plaintiff and defendants and the general manufacturing trade. Plaintiff is forced to assume that The Seng Company complied with that provision of the agreement, and further to assume that The Seng Company, by so doing, sold licensed devices to the Naperville Company. The entire argument is based on presumptions, inasmuch as there is a total failure to allege that The Seng Company was actually selling licensed devices to the Naperville Company.

Learned counsel have failed to suggest any reason for presuming that The Seng Company complied with Paragraph 9 of Exhibit A, and sold licensed devices to a prohibited person (the Naperville Company), and thus, according to plaintiff, infringed on plaintiff's patents,—rather than for presuming that The Seng Company performed its obligation contained in paragraph 8 of Exhibit A (Rec., 32) that it would *not* “sell said” (licensed) “fixtures to any manufacturer engaged in the manufacture or sale of sofa beds or sofa bed frames, or fixtures of similar or infringing nature.” Indeed, if presumptions are to be indulged in at all, they should be against the infringement of plaintiff's patent, owing to the heavy penalties flowing therefrom.

There is not even an allegation that the Naperville Company, at the time it commenced dealing in the similar articles, had not already purchased the entire minimum of 75,000 sets of fixtures, provided for in Exhibit C, in which event that contract, by its express terms, would have been terminated (see Rec., 45, clause (3)). On the contrary, the wrong charged in the bill against the Naperville Company is its purchase from The Seng Company of similar, instead of licensed devices. (Par. 11, 21 of the bill; Rec., 7-8, 13.)

It would have been a very simple matter for plaintiff to have alleged, if it had been the fact, that The Seng Company was supplying the Naperville Company not merely with the similar, but also with the licensed devices. It is because of the absence of any such allegation that, we submit, there is absolutely no warrant for plaintiff's argument that The Seng Company was selling the licensed devices to a prohibited class.

Even though it be assumed that there are positive allegations charging that the Seng Company is now sup-

plying the Naperville Company with the licensed devices, there would still be no showing of *contributory infringement on the part of defendants*, because there is wholly lacking any charge that the defendants were inducing or had induced the Seng Company to furnish the Naperville Company *with the licensed devices* concurrently with the sale to it of the similar devices. The plaintiff must not only allege and show that the Seng Company has become an infringer by making an unauthorized sale of the licensed devices (and this it has not done), but it must go further and show that the defendants induced the Seng Company to make such a sale of the licensed devices. This, we think, disposes of the whole argument of contributory infringement based upon the premise, unsupported by the record, that the Seng Company "sold *licensed* fixtures to unauthorized parties."

Plaintiff also claims that part SECOND (Rec., 10-17) shows an infringement of plaintiff's patents by the *Naperville Company*, and that defendants induced the infringement. This claim, however, we believe, is, if possible, even more completely unfounded than the claim that *The Seng Company* infringed plaintiff's patents and was induced by defendants so to do. This fully appears from an examination of the following allegations of the bill which, excepting those already considered, are, we believe, all that are applicable to this question.

Paragraph 21 (Rec., 13) charges the Naperville Company with improperly handling similar devices, at defendant's procurement. The complaint is that the company, at the instigation of defendants, was handling the similar devices, *and not that it was handling the licensed devices*. This is further shown by Paragraph 22 (Rec., 14), which charges that the similar devices "are used as substitutes for" the licensed devices and

in competition therewith, and that by reason *thereof* plaintiff is irreparably damaged. Such, only, are the acts which plaintiff charges were induced by defendants.

Paragraph 23 (Rec., 14) states the *conclusion* of the pleader that

“the use by the Naperville Company of the said licensed devices and fixtures, in a manner contrary to the terms and provisions of said license contract of December, 1911,”

and the use, manufacture and sale of the substituted devices in competition with plaintiff's devices,—are in violation of its covenants with the plaintiff, and of the reserved patent rights of the plaintiff.

There are, however, no *facts* stated in the bill which show that the Naperville Company ever used the licensed devices in a manner contrary to the provisions of its license agreement with plaintiff,—that is, that it has ever used the licensed devices otherwise than in “the manufacture and sale of completed sofa beds and completed frames” (Exh. C, Rec., 44). There is not even any allegation that the Naperville Company used the licensed devices since it commenced handling the similar devices.

The allegation charging defendants with contributing to the Naperville Company's alleged infringement is found in Paragraph 23, and is merely the pleader's conclusion that, in inducing the Naperville Company to breach its contract by handling similar instead of licensed devices, the defendants became contributory infringers.

That plaintiffs real cause of action is a substitution by the Seng Company and the Naperville Company and others, of similar (not infringing) devices in place of the licensed devices, and not a prohibited sale of the licensed devices, is further shown by Paragraph 24 of the

bill (Rec., 15), which refers to the extent of the sale of the similar devices and the consequent diminished sale of the licensed devices, and plaintiff's loss by reason *thereof*. Paragraph 29 (Rec., 17) contains further complaint because of plaintiff's decreased royalties. Paragraph 27 (Rec., 16) is to the same effect.

The agreements referred to in the bill were all drawn with a view of encouraging a sale of the licensed devices, and the bill itself alleges (Par. 9, Rec., 6) that the royalties on the licensed devices were reduced by plaintiff "in order to encourage said party of the third part, the Seng Company, in the manufacture and sale of said licensed fixtures," and, likewise (Par. 19, Rec., 12), that the agreement with the Naperville Company fixed a reduced rate of royalty "in order to encourage said party of the second part, the Naperville Lounge Company, in the use and increasing use of said licensed fixtures."

From the allegations in the bill it is fairly inferable that The Seng Company rendered accountings and paid royalties to plaintiff on all plaintiff's patented fixtures sold by it, and also that plaintiff either had knowledge of, or acquiesced in the alleged improper sales, if any, in which event plaintiff would have no cause of action, either for primary, or contributory infringement.

It is also to be observed that there is no allegation in the bill that The Seng Company knew, or had any reason for supposing that the alleged similar devices were, in fact, similar to plaintiff's devices, or that they were of a type which The Seng Company had agreed not to sell. Nor is there any allegation in the bill that plaintiff ever objected to the conduct of which it now complains. Clause 8 of the December 12, 1904, contract (Rec., 32) does not contain an absolute prohibition against The Seng Company selling plaintiff's devices to any

manufacturer engaged in the manufacture or sale of fixtures of similar nature, but it merely prohibits such a sale only "after notice shall be brought to said third party (The Seng Company) of such manufacture or sale of similar or infringing devices."

The theory that plaintiff is seeking to prevent a sale of licensed fixtures to a prohibited class, is inconsistent with the whole tenor of the bill.

Plaintiff, we fear, loses sight of the fact that an infringement is the unlawful making, vending, or using of a patented invention, and that a contributory infringement is an intentional aiding therein.

As stated in *Henry v. Dick Co.*, 224 U. S., 1, 33:

" 'Contributory infringement' says Judge Townsend in *Thomson-Houston Co. v. Kelsey Co.*, 72 Fed. Rep., 1016, 1017, 'has been well defined as the intentional aiding of one person by another in the unlawful making, or selling, or using of the patented invention.' "

It remains to be considered whether a patent is infringed merely because a licensee breaches his agreement to deal exclusively in and to further the sale of the licensed article. The fundamental difficulty with plaintiff's argument on this point is that it fails to distinguish between an invasion of a reserved domain and a failure to perform an obligation which has to do entirely with matters foreign to the patent domain. Here the bill shows only a violation of agreements regarding extraneous matters which constitute the consideration for the license.

This question is squarely answered, in principle, adversely to plaintiff's contention by the Circuit Court of Appeals of the Seventh Circuit in *Chadeloid Chemical Co. v. Johnson*, 203 Fed., 993 (January 7, 1913), Judges Baker, Seaman and An-

derson—opinion by Judge Baker. The question involved was whether the case showed an infringement of a patent so as to give the court jurisdiction. There, as here, the defendants were given the right to practice an invention under a license which stated that the same was granted

“in consideration of the covenants hereinafter contained and upon condition that the licensees keep this agreement.”

The licensees agreed to (1) maintain prices; (2) put license marks and notices on the articles; (3) pay royalties; (4) make quarterly reports of sales and prices; and (5) give plaintiff access to defendants' books.

The case was heard on bill and answer. The answer being silent as to the allegations charging a failure to make reports, pay royalties and permit access to the books, the court treated the defendants as in default on those matters. It was held, however, that as they pertained solely to the consideration for the license, and not to the grant or license itself, a breach of contract with respect thereto would not entitle the licensor to sue for infringement.

The court said:

“There should be no difficulty in perceiving the difference between the *subject matter* of a grant and the *consideration* which the grantee pays or promises in money or acts. * * * So, in this infringement suit, if appellant could not base its cause of action upon appellees' covenants to keep out of the reservations respecting manufacture and sale, much less could it charge infringement by reason of appellee's violation of covenants which have nothing to do with determining the question of trespass upon the domain of the patentee. Appellant, in seeking charges of infringement of the patent, has been looking at the wrong end of the license contract. Instead of scrutinizing the subject matter of the grant—the metes and bounds of the license to manufac-

ture, use and sell embodiments of the invention—appellant has had its eye fixed upon the considerations on account of which the license was granted. This is of no avail in an infringement suit.

Appellant advances a theory that, *because the considerations are stated*, 'in consideration of the covenants hereinafter contained and upon condition that the licensee keep this agreement,' the keeping of the covenants to pay royalties, make reports, and open the books to an accountant, *is a condition precedent* to the continued existence of the license. *If the license came into existence, and appellant concedes it did, it continues in existence until a forfeiture is effected.* *Comptograph Co. v. Burroughs Adding Mach. Co.* (C. C.), 175 Fed., 787, and cases cited. The agreement gives appellant the right to enforce a forfeiture for breaches, but contains no provision that breaches shall be self-operative as forfeitures, even if such a provision could have any legal effect to that end. But, more important, if the covenants to pay royalties, make reports, and open the books *are matters of contract law, no words of the parties can make them matters of patent law. Nor can covenants that in their nature are conditions subsequent be transmuted into conditions precedent by agreement of parties.*"

So, in the present case there has been no trespass upon the domain reserved to the licensor. The agreement of The Seng Company and the Naperville Lounge Company not to deal in similar devices is merely a *consideration* for the license to use plaintiff's devices. That those two companies are dealing in similar devices and not exclusively in the licensed devices may furnish a cause for terminating their license agreements with plaintiff, or otherwise make the companies liable to an action for a breach of contract, but it does not show that they are either "making, vending or using" *the patented device* in violation of any patent right. The only matter with which they are charged is that they have not given plain-

tiff the entire consideration which they promised it in return for the license.

As stated in the unreported opinion of Judge Sanborn in deciding the *Chadeloid* case in the Circuit Court:

"The sales actually made were strictly according to the license (as must be assumed from the statements of the answer), but defendants have refused to pay royalty, to make statements and permit inspection, as they had agreed to do. In transferring the property they have kept their contract, but have violated their additional agreement to pay for it, and keep the other conditions. Therefore, no property right of complainant is affected or involved; simply the breach of an obligation.

To put this in another way, the license may be construed as creating in the defendants *property rights* in the patented articles, and charging them with *personal obligations ex contractu*. Their property right is *in rem*, giving them *jus in re*, or property. Their agreement to pay, to account and to permit inspection, created in complainant *jura in personam*, *pure contract obligations*. If a farm is leased on a certain rent, the obligation to pay is wholly personal. If the tenant agrees to use the land only in a certain way, to protect it from floods or trespass, the obligation is still personal; no property right grows out of a violation. If, however, the land itself, the corporeal hereditament, is not leased, but only an easement, like the right to take ore or mineral water, the lessor retains the ownership, and a different use from that authorized by the lease will be a trespass, a violation of the *jus in re*. So in this case, complainant has licensed the use of its property only in a certain way. If defendants use it in a different way they are infringers. *But if their use of it is consistent with their contract, any violation of other provisions for which an action at law would lie cannot be an invasion of the property right.* Section 4921 R. S. U. S. provides that the Circuit Court shall have power to grant injunctions according to the course and principles of the courts of equity, to prevent the violation of any right secured by a patent, on such terms as the court may deem reasonable.

The present suit is brought under this grant of power, and depends for its jurisdiction on the allegations of infringement, by the violation of the patent rights. * * * *The obligations to pay royalty, make reports and permit inspection are none of them, 'secured by the patent.' They depend wholly on the license contract.*"

So the agreement at bar *not to manufacture* "similar" devices is not "secured by any patent. It depends wholly on the license contract."

The Seng Company was licensed to manufacture and sell the Karpen and the Weyer devices. It was granted no license to manufacture the Rolph and the Genge devices. It may be freely conceded that were The Seng Company to manufacture the *unlicensed* Rolph forms, it would thereby be trespassing upon a *reserved* portion of the patent domain, and would, in the absence of an acceptance of royalties by the licensor, be liable to a suit for infringement.

It has been settled that the licensee may, without liability to an infringement suit, fail to use the invention, and also break his covenant: (1) to pay royalties; (2) to make accountings; (3) to permit inspection of books; (4) not to transfer the license. (*Henry v. Dick Co.*, 224 U. S., 1, 15, 16; *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S., 282; *Chadeloid Chemical Co. v. Johnson*, *supra*.)

If, as held in *Henry v. Dick Co.*, *supra*, and *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, *supra*, there is no infringement of patent right where the licensee entirely fails to use the license, although there is a provision in the contract that the license should be revoked for failure to use, it is clear that the present suit cannot be maintained. If The Seng Company (or the Naperville Company) should go entirely out of

business, and manufacture neither the licensed article nor the unlicensed article, it could not, under the authorities just cited, be claimed that there was any breach of patent right. Then how can it be said that there is a breach of patent right from the mere fact that the Seng Company manufactures both the licensed and the unlicensed article, or manufactures the unlicensed article alone?

The plaintiff, however, specifically urges that the license was only given to The Seng Company provided it should "faithfully perform the covenants hereinafter contained," among them, the agreement to sell the licensed devices "on a non-competitive basis" (Brief, p. 34), and further urges "that the right to sell the licensed devices was predicated upon the covenant to refrain from selling the competing devices" (Brief, p. 37).

In *Henry v. Dick Co.*, this court, referring to *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, where the license was granted "*subject to the conditions hereinafter stated,*" said (15, 16):

"The three conditions of the license there referred to were, 1st, to pay royalties; 2nd, that the transferee would not transfer or assign the license without the consent of the licensor; 3rd, that the failure to use the license in the manufacture of pipe should operate to revoke it. It is evident that the licensee would not have infringed the patent by either failing to pay royalties, by assigning the license, or by neglecting to use his privilege. The licensor would clearly have been compelled to rely wholly upon his contract, as such, in any suit for the violation of any of the conditions named."

In the *Chadeloid case*, *supra*, although the license agreement was expressly granted upon "*condition that the licensee keep the agreement,*" the court, as we have seen, said:

"If the covenants * * * are matters of con-

tract law, no words of the parties can make them matters of patent law. Nor can covenants that are in their nature conditions subsequent be transmuted into conditions precedent by agreement of parties."

Plaintiff, in this connection, also seeks to draw an analogy between a covenant on the part of the licensee not to engage in the sale or manufacture of articles similar to the patented article, and an agreement of the licensee not to sell the patented article at less than a certain specified price, and states that if in case of a breach in the latter case the licensee is guilty of patent infringement, so he is in the former because, in such case, he has

"embarked upon a course of dealing which utterly disrupts the entire scheme of selling embodied in the license, and which immediately and fatally impairs the value of the patent monopoly and the trade reputation of the licensed devices." (Brief, p. 37.)

Without considering the question as to whether a licensee is guilty of patent infringement when he breaches a covenant to sell the patented article at a certain specified price (see *Bauer v. O'Donnell*, 229 U. S., 1, resale; and *Fair v. Kohler Die Co.*, 228 U. S., at p. 24), the distinction between the cases is clearly apparent. In these cases the patentee is complaining of something the licensee has done with the patented article, itself; in the present case he is not complaining because of anything the licensee has done with the patented article, but is complaining because he has done something with another and wholly different article, in violation of contract right.

Bauer v. O'Donnell, *supra*, clearly shows that even if the Seng Company can, by any stretch of reason, be said to be interfering with and disrupting a selling scheme of plaintiff,—its action in that regard only cannot con-

stitute an infringement of patent. (See also *Bobbs Merrill Co. v. Strauss*, 210 U. S., 339.)

There is the further consideration that an existing license bars an infringement suit. This has been the recognized law since the case of *Hartell v. Tilghman*, 99 U. S., 547. The bill in that case was in form one charging infringement of a patent.

The court said (548):

"The counsel for appellee, however, insists that it is 'a case arising under the patent laws of the United States' and, therefore, cognizable in the Circuit courts of the United States, on account of the subject matter of the suit. * * * (549) He alleges that after this defendants refused to do certain other things which he charges to have been a part of the contract, and thereupon he forbade them further to use his patent process, and now charges them as infringers."

In holding that the case was not a patent suit, the court said (556):

"* * * We do not agree that either party can of his own volition declare the contract rescinded, and proceed precisely as if nothing had been done under it. If it is to be rescinded, it can be done only by a mutual agreement, or by the decree of a court of justice. If either party disregards it, it can be specifically enforced against him, or damages can be recovered for its violation. But until so rescinded or set aside, it is a subsisting agreement, which, whatever it is, or may be shown to be, must govern the rights of these parties in the use of complainant's process, and must be the foundation of any relief given by a court of equity.

Such a case is not cognizable in a court of the United States by reason of its subject matter, and as the parties could not sustain such a suit in the Circuit Court by reason of citizenship, this bill should have been dismissed."

This case, as well as *The Fair v. Kohler*, *supra*, holds that the mere cloak of a patent suit cannot be used to

bring a contract action into a federal court so as to confer jurisdiction.

See also:

Wilson v. Sandford, 10 How., 99.

Chadeloid Chemical Co. v. Johnson, *supra*.

Comptograph Co. v. Burroughs, 175 Fed., 787
(C. C. Ill., J. J. Kohlsaat and Sanborn); *aff.*
183 Fed., 321.

Plaintiff also advances the novel suggestion (Brief, pp. 30 *et seq.*) that because the Seng Company agreed not to deal in similar devices, it thereby agreed with the plaintiff that its patent monopoly covered similar, as well as infringing articles, and that the Seng Company is now estopped, when accused of selling similar articles, from setting up that plaintiff's patent monopoly does not cover those articles; or, in other words, that it is now estopped from claiming that "similar" devices are not infringing devices. In reply to this contention it may be pointed out:

(1) That the Seng Company *did not agree* that plaintiff's patent monopoly should include the manufacture of similar articles, but *merely contracted that it would not manufacture devices similar to plaintiff's*.

Nor did the Seng Company agree that if it should manufacture similar articles, it could be held for infringement of patent. The license agreement, in fact, affirmatively shows on its face that the parties did not contract, or construe their contract to mean, that "similar" articles should be considered "infringing" articles, for Section 11 of Exhibit "A" distinctly recognizes that there is a difference between the two classes of articles by stating that the Seng Company shall not engage in competition with the plaintiff or de-

fendants to the extent of manufacturing "*either any infringing, or any similar devices.*"

(2) There is no agreement in the contract on the part of *the defendants* that the Seng Company will not manufacture similar devices, much less that if The Seng Company does so, then such a manufacture, so far as *the defendants* are concerned, shall be considered an infringement of plaintiff's patent. Nor is there any agreement that if the defendants induce a manufacture of similar articles they can be held as contributory infringers. On the contrary, as already shown, the covenant was merely that *the Seng Company* should not engage in competition with the plaintiff or defendants by the manufacture of similar articles. Thus the covenant was, in fact, one running in defendants' favor as well as in plaintiff's.

(3) Even if the Seng Company had expressly agreed that it could be held for infringement of patent if it engaged in competition with the plaintiff by dealing in similar devices, still such a contract would be ineffective, because, as pointed out in the *Chadeloid* case, *supra*, "*if the covenants * * * are matters of contract law, no words of the parties can make them matters of patent law.*"

The parties cannot by contract, or by calling an act an infringement of a patent which is in reality not an infringement, give a Federal court jurisdiction where it otherwise would have none.

On plaintiff's theory the monopoly of a patent would be determined, not by the claims of the patent, but by the agreement of the parties. Manifestly any monopoly not created by letters patent themselves, but by the contract of the parties, must be dependent for its vitality upon that contract, and not upon the constitution and laws of the United States. If a licensee infringes on the

licensor's patent by breaching an agreement not to handle similar devices, then, we submit, it might with equal reason be said that a licensee, who agrees to devote his best endeavors to furthering the interest of the licensor's patented article, is guilty of infringing thereon by any act committed, or omitted by him in violation of such a provision. Thus, the handling by the licensee of entirely different lines of articles from the patented article, or the failure of the licensee to devote his entire time, or his best energies to advancing the sale of the licensed article, would make the licensee guilty of infringing on the licensor's article whenever the licensee made a sale of the latter. On plaintiff's theory the licensee under a sofa bed patent would become an infringer by handling sewing machines which he had agreed not to handle.

This is not a case like *Pope Manufacturing Co. v. Owsley*, 27 Fed., 100 (C. C. Ill.), where the court merely held that the defendants, who were operating under a license agreement in which they agreed to pay the plaintiff royalties for any machines upon which they used certain improvements on plaintiff's devices, were estopped to deny that the devices that they used were improvements, or that they were liable to pay royalties thereon, because they made reports in which they stated that such devices were improvements.

That case merely lays down the well-known rule of estoppel in connection with the interpretation of contracts, and has nothing to do with the question of jurisdiction.

II.

THE DISTRICT COURT DID NOT, UNDER ANY CIRCUMSTANCES, HAVE JURISDICTION TO ENTERTAIN THAT PART OF THE BILL SEEKING SPECIFIC PERFORMANCE, BECAUSE THE COURT COULD NOT ACQUIRE JURISDICTION OVER AN INDISPENSABLE DEFENDANT.

Plaintiff concedes (Brief, pp. 41, 42) that if no infringement of patent is shown in the present case, the bill cannot be retained to try the issue of specific performance. And such is the law. (*Leschen Rope Co. v. Broderick*, 201 U. S., 166; *Elgin Watch Co. v. Ill. Watch Co.*, 179 U. S., 665.)

Plaintiff, however, without citing any authorities, claims that if the bill be retained as one for an infringement of patent, it can also be retained, over the objection of the West Virginia corporation, for specific performance "in accordance with the provision of Rule 26 which says that 'the plaintiff may join in one bill as many causes of action cognizable in equity as he may have against the defendant.'" (Br., p. 46.)

Rule 26 was merely adopted to abolish the defense of multifariousness. It does not purport to confer upon a Federal court, even if it could, jurisdiction of an entirely separate and distinct cause of action, denied to it by the Federal statutes, merely because it is joined with a cause of action over which the Federal court does have jurisdiction.

An examination of the cases decided before the enactment of Rule 26, will show that the rule could not and was not intended to have the effect claimed by plaintiff.

St. Louis Flushing Machine Co. v. Sanitary Street Flushing Co., 161 Fed., 725 (8 C. C. A.—Judges Hook, Adams and Carland, opinion by Circuit Judge Adams),

is squarely in point. Complainant sought to enjoin an infringement of its patent, and in the same bill also sought to compel defendants to convey to it certain patents because of an alleged contract whereby the defendants (who were assignors of the complainant's patent) agreed

"to convey to it (complainant) any inventions or patents relating to the cleaning, sprinkling or flushing of streets which either of them (defendants) might thereafter make or acquire."

The court referred to the statute giving jurisdiction in cases arising under the patent laws, and said (bottom of page 726):

"Such (statutory) diversity of citizenship not appearing in this case, the ground for relief must rest on the statute exclusively, and *unless and only so far as a right thereunder is asserted can any relief be granted in this case.*"

So, in the present case, the West Virginia corporation insists that an action for specific performance cannot be brought against it unless it be sued, either in the district of its residence, or in the district where the plaintiff resides, and that it cannot be deprived of this right by joining with that action a separate and distinct cause of action for contributory infringement of patent.

In *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 220 U. S., 446, 460, this court said (460):

"The opposite parties to the suit are citizens of different states, and while this diversity of citizenship was not necessary to give the Circuit Court jurisdiction of the case insofar as it involved the validity of the trademarks, *it was necessary to give the court jurisdiction of the issue of unfair competition.*"

In the following cases, bills were filed containing two separate and distinct causes of action, the one, charging an infringement of plaintiff's patent, and the other, un-

fair trade in the use of the alleged infringing article; and the courts refused to take jurisdiction of the latter cause of action for want of the requisite diversity of citizenship. *National Casket Co. v. New York, etc., Casket Co.*, 185 Fed., 533 (C. C. N. Y., 1911); *Johnson v. Brass Co.*, 201 Fed., 368 (D. C. N. Y., 1912); *King Co. v. Inlander*, 133 Fed., 416 (C. C., Ill., 1902); *Meckey v. Grabowski*, 177 Fed., 591 (C. C., Pa., 1910); *Keasby & Mattison Co. v. Cary Co.*, 113 Fed., 432 (C. C., N. Y., 1901); *Cushman v. Atlantis Fountain Pen Co.*, 164 Fed., 94 (C. C., Mass., 1908); *Woerheide v. Johns-Manville Co.*, 199 Fed., 535 (D. C., Pa., 1912—where it was held that, although there was diversity of citizenship, the suit could not, over the objection of the defendant, be maintained as to the cause of action based upon the unfair trade and competition, outside of the district of the residence of either the plaintiff, or defendant).

The principles announced in the decisions, *supra*, have not been modified by Rule 26. The decisions are uniform that in the absence of the requisite diversity of citizenship, the rule does not and cannot give the Federal Court jurisdiction over a distinct cause of action dependent upon diverse citizenship, even though the cause of action be united with one over which the Federal court has jurisdiction. *Vose v. Roebuck Co.*, 210 Fed., 687; s. c. 216 Fed., 523, 525 (D. C., N. Y., 1913); *Marconi Wireless Telegraph Co. v. National E. S. Co.*, 206 Fed., 295, 300 (D. C., N. Y., 1913); *Electric Boat Co. v. Lake Torpedo Boat Co.*, 215 Fed., 377 (D. C., N. Y., 1914—five cases).

Counsel assert (Br., pp. 40-41) that the seventeen patents are the foundation for the business of which plaintiff complains. Although it is entirely immaterial, we submit that the bill contains no allegations to support counsel's statement, and that the bill does not show that

the seventeen patents cover *the same devices* as those alleged to have been improperly dealt in by The Seng and Naperville companies.

If plaintiff is justified in its assertion (which we dispute), that the bill charges that the similar devices are manufactured under the seventeen patents, and if it is otherwise sufficiently alleged (which we also dispute), that defendants' conduct with respect to the similar devices makes them contributory infringers, then, we submit, the entire bill must be considered in the same light as the case before the court in *New Marshall Co. v. Marshall Engine Co.*, 223 U. S., 473, viz: merely as a suit on a contract to compel specific performance. In that case a bill was filed to compel defendant to comply with his contract to assign a patent to plaintiff, and the court held that the portion of the bill seeking to enjoin defendant from using the patent in controversy did not make out a case under the patent law, but was merely "an incident of a finding that the title was vested in the complainant."

Counsel also express the fear (Brief, pp. 37-38) that the Seng Company's alleged violation of its obligations and defendants' alleged conduct may deprive plaintiff of its entire monopoly. Such a suggestion, however, we submit, throws no light, whatsoever, upon any of the questions at bar.

It is unnecessary, also, to argue here the question of the legality of a provision requiring a licensee to refrain from the manufacture of an unpatented device, which is raised in such cases as *National Harrow Co. v. Hench*, 83 Fed., 36 (3rd C. C. A.), and *Bement v. National Harrow Co.*, 184 U. S., 70; nor is it necessary to argue here the question of the right of a licensor to sue, either for specific performance or negative specific performance in this class of contracts.

CONCLUSION.

If the court entertains jurisdiction over the appeal, then the principal question presented by the record is this:

If A grants a license to B to manufacture under a patent, in which license B agrees not to manufacture and sell similar devices, can C, who has knowledge, be held as a contributory infringer for granting to B a license for a later and similar invention, and inducing B to manufacture and sell the similar device?

The answer is that a licensee is given the right, either limited or unlimited, to make, use or vend the patented article. If the licensor divides his patent domain into say two parts, one of which he reserves to himself, and the other of which he grants to the licensee,—the domain, as it were, would be divided into two fields, into one of which the licensee is free to enter, and into the other of which, he enters, if at all, by trespass.

If alongside these two fields is a third field, not owned by the licensor, the licensee does not become a trespasser by entering the third field, merely because he covenanted with the licensor not to enter the third field. When it appears that the licensee has gleaned (if, at all) only in that portion of the domain where he, exclusively, was authorized to glean, and the burden of the complaint is, not that the licensee is working in the licensor's reserved portion of the patent domain, but rather is not working enough in his own portion, then it becomes perfectly plain that the complaint is not one of trespass, but of clear breach of covenant.

There are really two separate complaints presented here. The first is merely that defendants have granted a license to The Seng Company for a certain line of inventions from which plaintiff claims there has resulted

certain breaches of contract on the part of The Seng Company; and the second is that plaintiff also seeks a conveyance to it of seventeen patents enumerated in part THIRD of the bill, and which are not even alleged to relate to the similar devices made the basis of plaintiff's claim of patent infringement. We submit that as in the case of *Hartell v. Tilghman, supra*, if the court shall entertain this appeal, it will consider the bill as a whole in connection with the contracts, and determine therefrom whether the real gist of the action is for a breach of contract, notwithstanding the attempt to disguise the action under the form of a patent bill.

Respectfully submitted,

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